

# Water Services Delivery Plan Assessment

## Assessment Report – Whakatāne District Council

**Te Kāwanatanga o Aotearoa**  
New Zealand Government



**Internal Affairs**  
**Te Tari Taiwhenua**

## Glossary and abbreviations

The table below sets out the abbreviations used in this report

	Abbreviation
Capital expenditure	Capex
Department of Internal Affairs	Department
Drinking Water Quality Assurance Rules	DWQAR
Funds From Operations	FFO
In-house Business Unit	IBU
Levels of Service	LOS
Local Government Funding Agency	LGFA
Local Government (Water Services Preliminary Arrangements) Act 2024	Preliminary Arrangements Act
Long Term Plan	LTP
Water Services Delivery Plan	Plan
Wastewater treatment plant	WWTP
Water Services Council Controlled Organisation	WSCCO
Whakatāne District Council	WDC

# Assessment Cover Sheet

## Background on council and engagement with the Department

Detail	Commentary
<b>Councils involved in Plan</b>	Whakatāne District Council.
<b>Number of connections</b>	13,200 drinking water 12,240 wastewater 10,674 stormwater.
<b>DIA comment on council engagement during Plan development process</b>	<ul style="list-style-type: none"> <li>WDC has been consistently proactive in their engagement with the Department throughout the development of their Plan.</li> <li>In December 2024, a report produced by external consultants for WDC assessed the viability and sustainability of their current service delivery model. WDC resolved to explore opportunities with Tauranga City Council and Western Bay of Plenty District Council for a potential joint WSCCO. Additionally, WDC requested the Department's assistance to facilitate progress on joint arrangements with other councils.</li> <li>In January 2025, the Department provided a draft document to Kawerau District Council, Ōpōtiki District Council, Rotorua Lakes District Council, Tauranga City Council, Western Bay of Plenty District Council and WDC on the financial viability of a Bay of Plenty WSCCO. Following this, the Department met with the four eastern Bay of Plenty Chief Executives in February 2025, to discuss analysis for the four councils' sub-regional grouping with WDC, Kawerau District Council, Ōpōtiki District Council, and Rotorua Lakes District Council. This analysis confirmed this model would likely be financially sustainable. The primary financial benefits and implementation approaches available were discussed.</li> <li>Following public consultation, WDC resolved to pursue a multi-council option as the preferred model for future water services delivery. As modelling for the joint WSCCO was unlikely to be developed in time for inclusion in the Plan, on 26 June 2025, WDC made the decision to develop the Plan on the basis of a ring-fenced internal business unit approach with the intent to then establish a joint WSCCO with the Kawerau, Ōpōtiki, and Rotorua Lakes District Councils by 1 July 2028.</li> <li>On 18 July 2025 the Department requested a draft Plan from WDC. WDC provided a draft Plan, noting they had reprofiled their works</li> </ul>

Detail	Commentary
	<p>programme to be financially sustainable as an IBU ahead of 30 June 2028.</p> <ul style="list-style-type: none"> <li>On 28 August 2025, the Whakatāne, Ōpōtiki, Kawerau and Rotorua Lakes District Councils wrote to the Department seeking assistance to explore the development of a multi-council WSCCO.</li> <li>The final Plan was submitted on 1 September 2025.</li> <li>On 19 September 2025, the Department held a workshop with WDC and the Kawerau, Ōpōtiki, and Rotorua Lakes District Councils to assist with progressing their investigation of a joint WSCCO arrangement.</li> </ul>
<b>Feedback provided to council prior to submission on Draft Plan</b>	<p>WDC provided the Department with a draft Plan for review on 31 July 2025. The Department responded on 11 August 2025 with feedback stating that from the assessment of the draft Plan, the Department had identified some risks to the financial sustainability of the proposed IBU delivery model. Additional feedback was provided in relation to capital expenditure and asset management.</p>
<b>Engagement with council during review and assessment process</b>	<p>On 1 September 2025 WDC submitted their final Plan.</p> <p>The Department asked for further information regarding drinking water compliance. We asked WDC to confirm for each water supply scheme 2024/25 (or latest) percentage compliance with the DWQAR and detail any operational or capital projects to address non-compliances.</p> <p>On 15 September 2025 WDC provided additional information confirming that budget is provided in the investment Plan to meet the compliance requirements. The Department's assessment team was satisfied that the clarification provided the additional detail required.</p>
<b>Other Background Comments</b>	N/A

## Assessment Summary

Section	Commentary
<b>Confirmation of submission completeness checklist</b>	Yes – all required components completed.
<b>General Comment on Plan</b>	<p>The Department's assessment identified no issues regarding the financial position of WDC. The Plan is assessed as meeting the legislative requirements set out in section 13 of the Preliminary Arrangements Act.</p> <p>The Plan proposes that WDC will deliver water services through an IBU while continuing to work with neighbouring councils in the eastern Bay of Plenty to explore the viability and benefits of establishing a joint water services organisation.</p> <p>It is recommended that the following areas will be monitored during implementation:</p> <ul style="list-style-type: none"> <li>• We recommend that the pricing strategy and the average charges per connection are monitored during implementation, as the proposed billing and charging arrangements are dependent on decisions regarding a future joint WSCCO model; and</li> <li>• WDC state their intention to be in a position to meet ring-fencing and separated reporting requirements by 1 July 2026. We recommend that ring-fencing is monitored during implementation.</li> </ul>
<b>Financial Sustainability Comment</b>	The Plan explains how the delivery of water services will be financially sustainable and that revenue is sufficient to cover the long-term investment that meets LOS, regulatory requirements and provides for growth. The Plan indicates that financial stability will be achieved by 30 June 2028. No further actions are required beyond the implementation Plan to become financially sustainable, and the risks and mitigations are outlined.
<b>Revenue Sufficiency</b>	The average charge per connection will increase from \$2,041 to \$4,411 with increases peaking at 13.3% in 2025/26 before stabilising at approximately 8% in the outer years. There is a projected operating cash surplus for water services every year, totalling \$183.9m across the 10 years, and an operating deficit for all years except 2033/34. We note WDC considers these deficits to be appropriate and that depreciation costs and renewals are the drivers.
<b>Investment Sufficiency</b>	The Plan demonstrates the investment is sufficient to meet LOS, regulatory requirements and provide for growth. WDC is investing \$261.7m over the 10 years, which is just under double the depreciation. Depreciation is consistently increasing, which indicates an increasing asset base in terms of size and value.

Section	Commentary
	The level of renewals expenditure is deemed to be appropriate as it is 9% higher than projected depreciation and addresses the backlog. The asset investment ratio reflects the quantum of depreciation increasing while capex remains relatively stable. This investment profile aligns with the LTP budgets and is consistent with the investment priorities identified.
<b><i>Financing Sufficiency</i></b>	The Plan confirms sufficient funding and financing can be secured to deliver water services. Projected water services borrowings are \$219.8m over the 10 years and headroom ranges between \$14.4m and \$38.5m. The whole of Council borrowings are within the Council's borrowing limits and the projected water services borrowings are within the Council's determined limit.
<b><i>Overall assessment recommendation</i></b>	The overall recommendation from the assessment phase is to <b>accept</b> the Plan from WDC.

## Topics for discussion with Panel

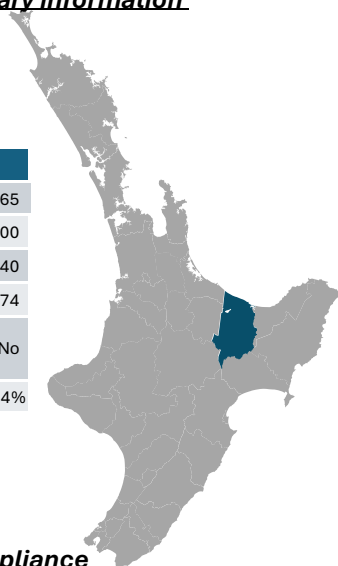
Topic	Description	Recommended treatment
Drinking water regulatory compliance (clarification provided by WDC)	<p>Eight of nine drinking water schemes are non-compliant with the DWQAR for the 2023/24 reporting period.</p> <p>The Department asked for further information regarding drinking water compliance. We asked WDC to confirm for each water supply scheme 2024/25 (or latest) percentage compliance with the DWQAR and detail any operational or capital projects to address non-compliances.</p> <p>On 15 September 2025 WDC provided additional information confirming that budget is provided in the investment plan to meet the compliance requirements. The Department's assessment team was satisfied that the clarification provided the additional detail required.</p>	For noting only. The Department's assessment team is satisfied with the clarification provided by WDC.
Reprioritisation of capital works programme	<p>WDC has reprofiled their capital works programme to be financially sustainable as an IBU, ahead of the planned establishment of the WSCCO on 30 June 2028. The LTP originally proposed a capital programme totalling \$190m, which has been increased to \$215.7m after various reviews.</p> <p>Investment sufficiency has been achieved through the capital programme (which was produced with the help of independent consultants). This includes sufficient investment to meet regulatory requirements and provide for a combination of improving LOS, accommodating growth, and renewals.</p>	For noting only.
Billing and charging arrangements	<p>The average charge per connection will increase from \$2,041 to \$4,411 with increases peaking at 13.3% in 2025/26 before stabilising at approximately 8% in the outer years.</p> <p>The Plan provides sufficient detail on the current charging methodologies. Capital value rates are currently applied to stormwater services.</p>	We recommend monitoring the charging arrangements and the average charge per connection during implementation, as the proposed billing and charging arrangements are dependent on decisions regarding a future joint WSCCO model.

## Water Services Delivery Plan Summary Analysis – Whakatane District Council - IBU

IN CONFIDENCE

Council summary information

Summary information	Level
Current population	39,665
Drinking water connections	13,200
Wastewater connections	12,240
Stormwater connections	10,674
High growth council	No
10 year population growth	7.4%

Assets, network and compliance

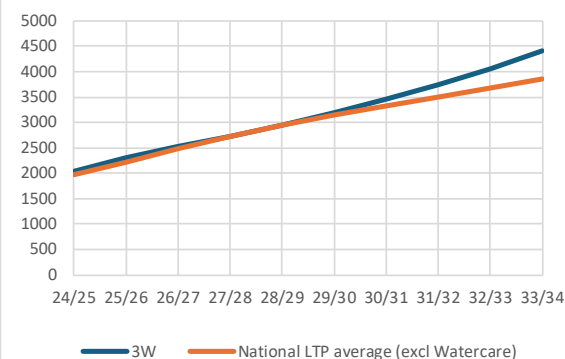
Asset measures	Year 1	Year 10	10 Year Average
Total assets per connection (\$)	28,091	40,790	34,422
Total debt per connection (\$)	6,783	17,052	12,532
Operating costs per connection (\$)	707	1,050	863
Age of network (years)	DW	WW	SW
Average age outlined in plan	35	49	43

Network performance	Level
Level of service performance measures achieved	92.0%
Water loss rate as a percentage	13.6% - 55.2%
Average consumption (litres per person per day)	420

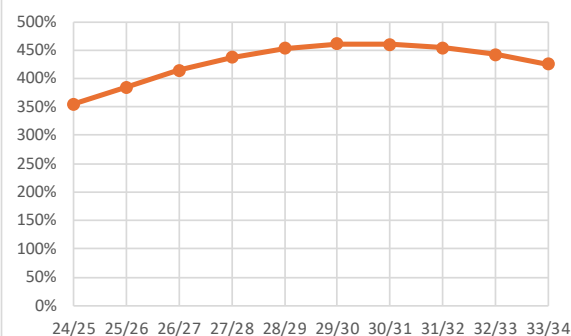
Compliance addressed in the Plan	
Drinking water compliance	Yes
Resource consent compliance	Yes

Affordability and growth

Water services charge compare to national LTP average

Financing

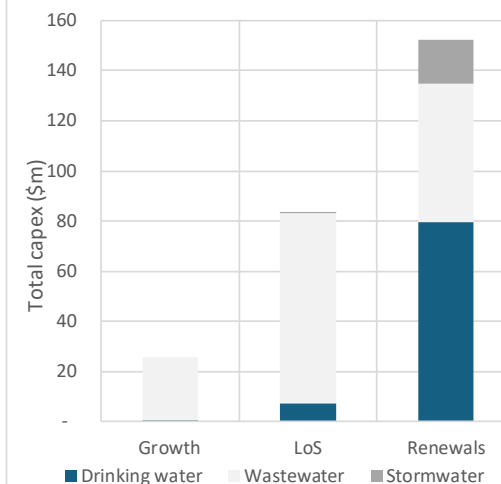
Net debt to operating revenue



Capital expenditure	Category of capital expenditure			Total over 10 years
	Growth	Level of service	Renewals	
Drinking water	760	7,065	79,389	87,214
Wastewater	25,087	76,336	55,310	156,733
Stormwater	-	315	17,435	17,750
<b>Total 10 years</b>	<b>25,847</b>	<b>83,716</b>	<b>152,134</b>	<b>261,697</b>

Item	Year 1	Year 10	10 Year Average
Total charge as % of median income	2.20%	3.60%	2.91%
Annual price increase	12.90%	8.50%	9.34%
DC collected per new connection (\$)	3,126	8,371	5,265

Item	Year 1	Year 10	10 Year Average
Water related net debt to operating revenue %	355%	425%	429%
FFO to debt	6.0%	8.2%	6.1%
Whole of Council net debt to revenue (approx)	180%	220%	219%

Capex spend by type, 10 year total

IN CONFIDENCE



# Assessment Report: Part A – Statement of financial sustainability, delivery model, implementation plan and assurance

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Delivery model and implementation</b>				
<b>Financially sustainable water services provision</b>	<p>WDC confirms that its water services will be financially sustainable as an IBU ahead of 30 June 2028. Confirmation of financial sustainability includes assurances that WDC has:</p> <ul style="list-style-type: none"> <li>• Investment sufficiency through the capital programme which was produced with the help of independent consultants. This includes sufficient investment to meet regulatory requirements and provide for a combination of improving LOS, accommodating growth, and providing for renewals;</li> <li>• Sufficient revenue to deliver the water services required in the capital programme and service associated debt; and</li> <li>• Sufficient financing to fund the capital programme, within the Council's approved debt limits.</li> </ul>	<p>The Plan explains how the delivery of water services will be financially sustainable and that revenue is sufficient to cover the long-term investment that meets the LOS, regulatory requirements and provides for growth.</p> <p>Detailed information is provided in the implementation plan and is sufficient to meet the requirements of section 13(2) of the Preliminary Arrangements Act.</p>	Meets requirements	N/A
<b>The proposed model to deliver water services</b>	WDC will deliver water services through an IBU while continuing to work with neighbouring councils in the eastern Bay of Plenty to explore the viability and benefits of establishing a joint water services organisation.	The proposed in-house delivery model is clear with the intention that WDC will be in a position to meet ring-fencing and separated reporting requirements by 1 July 2027. The organisation structure is unchanged.	Meets requirements	N/A

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Implementing the proposed service delivery model</b>	<p>WDC is proceeding on the basis that it will deliver water services through an IBU for at least the short-term, noting it may form a joint water services organisation if further exploration shows this to be the best approach. As an IBU delivering water services, WDC will meet the following requirements, as detailed in a milestones table:</p> <ul style="list-style-type: none"> <li>• Planning and reporting changes: <ul style="list-style-type: none"> <li>○ Water Services Strategy;</li> <li>○ Water Services Annual Budget; and</li> <li>○ Water Services Annual Report.</li> </ul> </li> <li>• Accounting changes to support the planning and reporting changes, for example: <ul style="list-style-type: none"> <li>○ Separate financial statements for water services; and</li> <li>○ Annual audit of financial statements.</li> </ul> </li> <li>• Economic regulation: <ul style="list-style-type: none"> <li>○ Ring-fencing; and</li> <li>○ Information disclosure.</li> </ul> </li> <li>• Other requirements: <ul style="list-style-type: none"> <li>○ Trade waste plan; and</li> <li>○ Stormwater network risk management plan.</li> </ul> </li> </ul>	<p>Detailed information is provided in the implementation plan and is sufficient to meet the requirements of section 13(2) of the Preliminary Arrangements Act.</p> <p>The implementation plan states that WDC will continue to explore the feasibility of forming a joint water services organisation with councils in the Eastern Bay of Plenty with Ōpōtiki District Council, Kawerau District Council, and Rotorua Lakes Council.</p>	Meets requirements	N/A

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Consultation and engagement undertaken</b>	<p>WDC ran a two-phase engagement process in accordance with its Communications and Engagement Strategy:</p> <ul style="list-style-type: none"> <li>Phase 1 involved a three waters public education campaign to equip WDC's communities with information about how their water services currently work; and</li> <li>Phase 2 solely focused on public consultation regarding WDC's preferred water services delivery option and the most promising alternative.</li> </ul> <p>WDC released a consultation document on 17 April 2025 and sought submissions by 18 May 2025. Public hearings enabled submitters to present to WDC.</p> <p>Overall, the submissions showed mixed support in terms of the two options put forward for consultation. A larger proportion of submitters (50%) 'opposed' the WDC's preferred option of a multi-council CCO. A lower proportion of submitters (32%) supported the preferred option.</p>	Consultation was undertaken in accordance with the Preliminary Arrangements Act.	Meets requirements	N/A
<b>Assurance and adoption of the plan</b>				
<b>Council resolution to adopt the Plan</b>	The Plan was tabled with the WDC for approval on 14 August 2025. WDC approved the Plan, and a copy of the Council's resolutions are contained in Appendix A of the plan.	N/A	Meets requirements	N/A
<b>Certification of the Chief Executive of Whakatāne District Council</b>	The Plan was certified by the Chief Executive on 1 September 2025.	N/A	Meets requirements	N/A

## Assessment Report: Part B – Network Performance

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Investment required in water services</b>				
<b>Serviced population and serviced areas</b>	<p>WDC is responsible for managing:</p> <ul style="list-style-type: none"> <li>• nine residential water supplies;</li> <li>• seven rural water schemes;</li> <li>• six wastewater schemes; and</li> <li>• eight stormwater catchments.</li> </ul> <p>Of the 27 performance measures, 25 were met in 2024.</p>	<p>Comprehensive information is provided on serviced areas, connections and growth.</p> <p>WDC is not a growth council.</p> <p>92% of the water service performance measures were met in 2024.</p>	Meets requirements	N/A
<b>Assessment of the current condition and lifespan of the water services network</b>	<p>Assets have an average age of 35-49 years.</p> <p>Condition information is provided for 70% - 95% for below ground assets.</p> <p>14%-25% of underground assets are in poor/very poor condition.</p> <p>Commentary is provided on the condition of the above ground assets.</p> <p>Critical assets are identified.</p> <p>Renewals backlog is identified.</p>	<p>Condition and criticality information is used to plan the renewals programme.</p> <p>Existing condition information is suitable to plan maintenance, renewals and capital plans.</p>	Meets requirements	N/A

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Asset management approach</b>	<p>Water services have been primarily delivered by the Three Waters team located within the WDC's Infrastructure Group.</p> <p>A team of approximately 35 staff is delivering operations and maintenance, asset management, capital works delivery, and administration support.</p> <p>There is reference to an asset management policy, strategic asset management plan, and asset management plans.</p> <p>No significant changes are planned.</p> <p>Asset management information system is identified.</p> <p>Self-assessed asset management maturity assessment has occurred.</p>	<p>Minimal change in delivery mechanisms is identified.</p> <p>Detailed information is provided on process. Limited commentary is provided on how asset management will support the proposed model.</p> <p>Independent maturity assessment is advisable to confirm the appropriateness of the asset management framework, as only a self-assessment has occurred to date.</p>	Meets requirements	N/A
<b>Statement of regulatory compliance</b>	<p>Eight of nine drinking water schemes are non-compliant with the DWQAR for the 2023/24 reporting period.</p> <p>Three boil water notices have been issued in the last three years, and they are no longer in place.</p> <p>Average water consumption is 363l/p/d and water loss is between 13.6 – 55.2%.</p> <p>WDC has:</p> <ul style="list-style-type: none"> <li>16 drinking water consents: one under section 124 of the RMA, 14 due to expire, and one current application;</li> <li>11 wastewater discharge consents: eight due to expire, and eight current applications;</li> <li>43 stormwater discharge consents: 10 under section 124 of the RMA, 13 due to expire, and one active application (will replace 16 consents); and</li> <li>No abatement or infringement notices.</li> </ul>	<p>WDC does not currently meet drinking water compliance for eight schemes but has provided additional information confirming that budget is provided in the investment plan to meet the compliance requirements.</p> <p>WDC is meeting consent compliance. Plans are in place to address the expiring consents.</p> <p>Water loss ranges from 13.6- 55.2%, with lower water loss in metered areas and higher losses in areas that are not metered. WDC have a water loss and leak detection programme and have trained staff to undertake water loss data analysis based on industry best practice.</p>	Meets requirements	N/A

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Capital expenditure required to deliver water services and ensure that water services comply with regulatory requirements</b>	<p>Capex projections have been revised from the LTP to ensure compliance with regulatory requirements, while also considering achievability and affordability.</p> <p>The LTP proposed a capital programme totalling \$190m (in real terms) over the forecast period, with just over half to renew existing assets and the majority of the remainder to improve LOS.</p> <p>Total expenditure is consistent over the period of the Plan, \$24m to \$27m:</p> <ul style="list-style-type: none"> <li>• Drinking water renewals: \$79.3m</li> <li>• Wastewater renewals: \$54.3m</li> <li>• Stormwater renewals: \$14.4m</li> </ul>	The Plan includes sufficient investment to achieve compliance, LOS and enable growth. Renewals are appropriate given the age profile of the portfolio.	Meets requirements	N/A
<b>Historical delivery against planned investment</b>	<p>Between 2018/19 and 2024/25, WDC budgeted to invest \$94m of capex in water services. Of this, a total of \$83m (88%) was spent; 101% in 2024/25.</p> <p>Renewal delivery averaged 101% of the Plan over the same period; 95% in 2024/25.</p>	The investment plan levels are similar to previous delivery levels. Detailed information is provided on resourcing improvements.	Meets requirements	N/A

# Assessment Report: Part C – Revenue and financing arrangements

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Revenue and charging arrangements</b>				
<b>Charging and billing arrangements</b>	<p>Current charging and billing arrangements are provided.</p> <p>The Plan states WDC will decide whether to pursue a joint WSCCO in early 2027 and will continue to deliver services through an IBU until 30 June 2028 if a joint WSCCO is established.</p> <p>Three waters finances are to be ring-fenced by July 2026, with separate invoicing by July 2027. Distinct ledger codes will be created and possibly separate bank accounts for revenue. Rating options and equalisation of water schemes will be under review.</p> <p>WDC's implementation plan describes the steps that it will take to comply with the ring-fencing requirements, by describing the investigating and implementing requirements necessary to completely ring-fence water services in financial and reporting systems.</p>	<p>The Plan provides sufficient coverage of the current charging methodologies.</p> <p>We note that capital value rates are currently applied to stormwater services.</p> <p>We recommend that the pricing strategy and the average charges per connection are monitored during implementation, as the proposed billing and charging arrangements are dependent on decisions regarding a future joint WSCCO model.</p>	Meets requirements	Yes
<b>Water services revenue requirements and sources</b>	<p>Water supply, wastewater and stormwater services are currently funded through:</p> <ul style="list-style-type: none"> <li>• General rates, including uniform annual general charges;</li> <li>• Targeted rates, including fixed targeted rates;</li> <li>• Fees and charges; and</li> <li>• Subsidies and grants.</li> </ul> <p>Charging and collection is currently done through rates invoices. As ring-fencing is established, charges for water services will be clearly identifiable on rates invoices.</p>	<p>The Plan provides sufficient coverage and detail to ensure clarity on the composition of revenue.</p> <p>We note that development contributions are relatively low compared to total revenue (2% in 2024/25 and 1% in 2033/34).</p>	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Existing and projected commercial and industrial users' charges</b>	<p>Charges for water services are shown for each of the three waters per quartile for residential, commercial, and industrial users.</p> <p>The annual plan for 2025/26 contains indicative rates impacts for residential, commercial and industrial ratepayers. While this does not indicate projected charges over the 10-year period of the Plan, it does show the range of charges that different categories of ratepayers will face in 2025/26, and the likely relativity of charges across different categories in outyears.</p>	<p>Projected commercial and industrial users' charges are only shown for 2025/26, not the 10-year period.</p> <p>Non-residential charging and collection methodology has not been stated outside of being charged per pan.</p>	Meets requirements	N/A
<b>The affordability of projected water services charges for communities</b>	<p>Whakatāne District has lower incomes and higher unemployment than the national average. WDC is concerned about rising water charges, which are set to increase from \$2,041 in 2024/25 to \$4,411 in 2033/34 – a 144% rise. Water charges will also take up a larger share of household income, growing from 2.2% to 3.6% over the same period. Affordability will be a key factor in future planning and decisions about possibly joining a multi-council WSCCO. The average water charges per connection are shown in a table.</p>	<p>The affordability of projected water services charges as a percentage of household income ranges from 2.2% to 3.6% over the 10 years. This roughly aligns with the guidance of 2.5% provided by the Department.</p> <p>We highlight that the projected increase in charges is approximately 13% in the first two years, declining to just above 8% from 2028/29 onwards.</p>	Meets requirements	N/A



Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Funding and financing arrangements</b>				
<b>Water services financing requirements and sources</b>	<p>Over the forecast period, water services in the district are forecast to require \$261.7m in capital investment to meet regulatory standards, growth, service levels, and renewal obligations. To support this investment, net debt reaches \$217.7m in 2033/34. The remaining funding comes from water services revenue and development contributions.</p> <p>WDC manages water borrowing with other activities, not separately. WDC will cover water services cashflow, so no separate water cash reserves are needed; net cash needs are offset by water services debt. Projected borrowings stay well within LGFA and Council debt limits, peaking at 246% in 2029/30. Water borrowings peak at 461% of water revenue, which is below the 500% Plan limit.</p> <p>WDC will use debt for long-term projects and short-term cash needs, with operating costs funded mainly by water revenue. Debt will be managed to stay within LGFA limits, using surplus cash as needed. The aim is to maintain liquidity, service interest, and align debt with revenue and infrastructure needs. Borrowing terms will be based on best available options. The tenor of new borrowings will depend on the best deals available to WDC when borrowing is undertaken.</p> <p>WDC will manage the interest rate and refinancing risk by working with LGFA, using hedging tools, applying control limits, spreading debt, managing variable debt levels, dealing with reliable counterparties, and assessing project finance options.</p>	<p>Net debt per water over the forecast period shows wastewater increases from \$20.6m to \$142.5m, water supply increases from \$36.7m to \$62.1m, and stormwater decreases from \$22.3m to \$13.2m. WDC has a LGFA covenant of 280% and an internal limit of 250%.</p> <p>The Plan states WDC will maintain water debt at less than 500% of water services revenue and that debt levels remain “well within” established limits. We note this may be overstated as WDC’s borrowing requirements for water activities are combined with other activities and managed at a whole of council level.</p>	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Internal borrowing arrangements</b>	Internal borrowing is actively managed within WDC's financial system and will be separately tracked against water activities. Interest on internal debt balances will be attributed to water services on an "arm's length" (commercial) basis, based on the average of the WDC's cost of borrowing. WDC state they will ensure there is a sufficient breakdown of costs and revenues in a newly set up separate chart of accounts within its General Ledger to enable full sets of auditable financial statements to be produced, with the intention that WDC will be in a position to meet ring-fencing and separated reporting requirements by 1 July 2026. Any internal borrowing will be on an unsecured basis.	Internal borrowings are outlined in the Plan and will be ring fenced for water services by 1 July 2026.	Meets requirements	N/A
<b>Determination of debt attributed to water services</b>	WDC borrows from LGFA and allocates debt to activities. Water services debt is tracked internally by year and cost centre. As at 30 June 2024, total water services borrowings were \$61m: <ul style="list-style-type: none"> <li>• \$25.3m for drinking water supply;</li> <li>• \$13.9m for wastewater; and</li> <li>• \$21.8m for stormwater.</li> </ul> Debt for drinking water, wastewater, and stormwater is included in forecasts. Year-end balances will set opening amounts for transferring assets and liabilities after the financial year and annual report are completed.	There is sufficient information on the determination of debt in the Plan.	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Insurance arrangements</b>	<p>Policies have sub-limits and deductibles. Risk assessments are done organisation-wide, but not specifically for three waters. AON is conducting a loss modelling exercise for underground assets, with results due soon. The last full asset valuation was in 2023 and fair value assessments for 2024 and 2025 recommend inflation adjustments. Another full valuation is set for June 2026, with these done every three years. The asset policy assumes that central government covers 60% of catastrophic losses, and the Council covers 40%. There is no direct disaster policy link. Insurance summaries go to the Risk and Assurance Committee annually. Finance staff attend BOPLASS meetings on insurance, which is arranged collectively. Notifiable events are reported to finance, who notify AON, and AON manages claims with insurers.</p> <p>Insurable and uninsurable risks are not described in detail, although an insurance company has been commissioned to carry out loss modelling, focussing on underground assets.</p>	Insurance policies held by WDC relating to water services are detailed in the Plan.	Meets requirements	N/A

# Assessment Report: Part D – Financial sustainability assessment

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Financially sustainable water services provision</b>				
<b>Confirmation of financially sustainable delivery of water services by 30 June 2028</b>	<p>The WDC can confirm that it will be financially sustainable as an IBU ahead of the required date of 30 June 2028. Confirmation of financial sustainability includes confirmation that WDC has:</p> <ul style="list-style-type: none"> <li>Investment sufficiency through the capital programme (which was produced with the help of independent consultants). This includes sufficient investment to meet regulatory requirements and provide for a combination of improving LOS, accommodating growth, and renewals. The LTP proposed a capital programme totalling \$190m which has been increased to \$215.7m after various reviews;</li> <li>Sufficient revenue to cover the costs of operating water services including debt servicing costs; and</li> <li>Sufficient financing to fund the capital programme, within the debt limits and financial covenants agreed with LGFA (\$217.7m debt peak, 461% for water services and 246% at a council level).</li> </ul>	The Plan explains how the delivery of water services will be financially sustainable and that revenue is sufficient to cover the long-term investment to meet LOS, regulatory requirements and provide for growth.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Actions required to achieve financially sustainable delivery of water services</b>	<p>All water services will meet financial sustainability by 30 June 2028 (with no extra actions needed beyond the current implementation plan). The Plan outlines a price path that raises average water charges from \$2,041 in 2024/25 to \$4,411 in 2033/34, achieving operating surplus by 2033/34.</p> <p>Revenue will cover all expenses, meet regulatory requirements, and ensure financial reporting compliance.</p> <p>Capital investment will meet service, renewal, regulatory, and moderate growth needs, with investment and debt levels managed to stay within relevant limits. Water-related debt will be separated from general Council debt during the transition to a ring-fenced structure.</p>	The Plan indicates that financial sustainability will be achieved by 30 June 2028. No further actions are required beyond those described in the implementation plan to become financially sustainable.	Meets requirements	N/A
<b>Risks and constraints to achieving financially sustainable delivery of water services</b>	WDC provides a table outlining risks and mitigations. These risks include cost escalation, inflation and interest rate volatility, revenue constraints and affordability pressure, regulatory or compliance shocks, supply chain and delivery constraints, incomplete or evolving asset data, and issues within other councils.	Risks and constraints to achieving financially sustainable delivery of water services are outlined in the Plan.	Meets requirements	N/A
<b>Assessment of revenue sufficiency</b>				
<b>Projected water services revenues cover the projected costs of delivering water services</b>	<p>WDC provides a graph showing the projected water services revenue against the projected costs of delivering water services.</p> <p>The projected water services expenses <i>exceed</i> revenue in all years, except 2033/34 where a marginal surplus is projected. Interest costs appear to have grown the most on a relative basis followed by depreciation.</p>	<p>Projected water services are in deficit until 2033/34. The source of financial analysis has not been specified for the graph provided.</p> <p>We note that for all periods, revenue is greater than operating expenditure and interest. Depreciation becomes fully funded in 2033/34 as seen by the small operating surplus.</p>	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Average projected charges for water services over 2024/25 to 2033/34</b>	<p>The average charge per connection, including GST, has been calculated using the current rates requirement, multiplied by the percentage of rates attributed to residential connections, divided by the estimated number of connections.</p> <p>The figures are based on the following assumptions:</p> <ul style="list-style-type: none"> <li>Median household income has taken the figure calculated from 2023 Census data and applied an allowance of one percentage point for labour productivity growth above consumer price index inflation projections used by WDC; and</li> <li>To project the number of connections, WDC took the actual number of connections in 2023/24 and applied a percentage annual increase based on historical averages: 0.739% for drinking water, 0.757% for wastewater and 0.795% for stormwater.</li> </ul> <p>All connections are included in the modelling, including residential and non-residential.</p>	<p>The average charge per connection has increased from \$2,041 to \$4,411. The increase in charges peaks at 13.3% in 2025/26 before stabilising at approximately 8% in the outer years.</p> <p>We recommend that the pricing strategy and the average charges per connection are monitored during implementation, as the proposed billing and charging arrangements are dependent on decisions regarding a future joint WSCCO model.</p>	Meets requirements	Yes

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Projected operating surpluses/(deficits) for water services</b>	<p>The financial model projects operating deficits from 25.7% of revenue in 2024/25, improving to a 0.8% surplus by 2033/34 due to rising revenue and stable capital investment. Deficits are partly due to including full depreciation in costs. The trend towards surplus indicates stable water services finances.</p> <p>Cost projections are conservative, and WDC will seek further savings through its first water services strategy. WDC aims to fully fund depreciation from operating revenue and considers renewal funding needs based on asset condition. Any surplus will support infrastructure renewal and reduce borrowing, with cash surpluses used to lower internal debt.</p> <p>Operating deficits in the first nine years are considered appropriate given the following:</p> <ul style="list-style-type: none"> <li>• Depreciation is included in costs but not fully funded in cash terms.</li> <li>• The use of some debt funding for renewals spreads costs across generations, in line with the intergenerational equity principle.</li> </ul>	<p>WDC has an operating deficit for all years, except 2033/34 where it reaches 0.8% noting the ratio improves across the period. The deficits are due to funding depreciation costs.</p> <p>Planned deficits are within prudent levels, decrease over time until surplus is reached, and are supported by sufficient borrowing capacity.</p>	Meets requirements	N/A
<b>Projected operating cash surpluses for water services</b>	<p>The operating cash ratio remains positive throughout the period and consistently increases from 37.2% in 2024/25 to 59.3% in 2033/34.</p> <p>Cash generation is projected to increase from \$8.3m in 2024/25 to \$30.4m in 2033/34, highlighting stronger financial performance in water activities.</p> <p>The Plan notes cash surpluses will be applied to investment renewals, servicing debt, and building contingencies.</p>	There is a projected operating cash surplus for water services every year, totalling \$183.9m across the 10 years.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Assessment of investment sufficiency</b>				
<b>Projected water services investment is sufficient to meet levels of service, regulatory requirements and provide for growth</b>	<p>Projected water services investment is sufficient to meet LOS, regulatory requirements and provide for growth according to the “projected water services investment requirements” graph.</p> <p>The balanced funding impact statements in Part E of the Plan demonstrate that the proposed level of investments are fully funded by projected revenues, which fund interest costs for borrowings on new and growth loans, and depreciation which funds renewals.</p> <p>WDC’s proposed water services investment is sufficient and meets the investment sufficiency test. The programme is based on assets requiring renewal, regulatory requirements and forecasted growth as budgeted for in the LTP 2024-34. The proposed level of investment has funds allocated using the three capex types.</p>	<p>The Plan demonstrates investment is sufficient to meet LOS, regulatory requirements and provide for growth.</p> <p>We note WDC are investing \$261.7m over the 10 years, which is just under double the depreciation. Depreciation is consistently increasing, which indicates an increasing asset base.</p>	Meets requirements	N/A
<b>Renewals requirements for water services</b>	<p>Renewals are variable over the first five years of the forecast period before stabilising at around \$13m per year in the outer years. The asset sustainability ratio is highest in 2024/25 at 96.7% and lowest at 22.2% in 2032/33, before increasing slightly to 21.5% in 2033/34.</p> <p>The renewals investment levels are based on evidence, expert engineering input, and asset data to ensure decisions are practical, timely, and operationally sound.</p> <p>Depreciation exceeds the renewals capex in six of the 10 years in the Plan. Across the life of the Plan there is an asset sustainability ratio of 8.9%.</p>	<p>The level of renewals expenditure is deemed to be appropriate as it is 9% higher than projected depreciation and addresses the backlog.</p>	Meets requirements	N/A



Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Total water services investment required over 10 years</b>	<p>The planned capex exceeds the projections in the LTP by approximately \$25m in real terms.</p> <p>The asset investment ratio decreases across the period. It starts at 145.6% in 2024/25 and falls year-on-year to 60.7% in 2033/34. This reflects the quantum of depreciation increasing while capex remains relatively stable.</p>	The total water services investment required over 10 years is \$261.7m. The ratio reflects the quantum of depreciation increasing while capex remains relatively stable. This investment profile aligns with the LTP budgets and is consistent with the investment priorities identified.	Meets requirements	N/A
<b>Average remaining useful life of network assets</b>	<p>The asset consumption ratio changes slightly but is not significant, as some assets are mid-lifecycle. Renewals investment varies – it is lowest at \$10.534m in 2026/27 and highest at \$20.712m in 2024/25, matching asset conditions and age. Overall, capital investment is steady.</p> <p>There is a slightly decreasing ratio over the period of the Plan 47.0% - 46.6%.</p>	Investment in renewals and LOS over the 10-year period results in a static average remaining asset lifespan over the period of the Plan.	Meets requirements	N/A
<b>Assessment of financing sufficiency</b>				
<b>Confirmation that sufficient funding and financing can be secured to deliver water services</b>	<p>Council borrowings, including for water services, are within set limits. WDC, as a credit-rated LGFA member, has a borrowing cap of 280% net debt-to-revenue and an internal limit of 250%. Water borrowings are expected to peak at \$217.7m in 2033/34, staying within LGFA limit of \$256.3m at 280%. These borrowings support investment needs and financial covenants.</p> <p>On the basis of the above, WDC confirms that the Plan satisfies the financing sufficiency test:</p> <ul style="list-style-type: none"> <li>• Total Council borrowings are projected to be within the relevant borrowing limits;</li> <li>• Borrowing capacity exists to meet forecast capital investment, with allowance for additional headroom to provide for unforeseen contingencies; and</li> <li>• Operating balances improve and financial covenants remain robust and sustainable over the forecast period.</li> </ul> <p>The proposed financing arrangement ensures flexibility, liquidity, and resilience for the water services programme, while meeting fiscal and risk requirements.</p>	<p>The Plan confirms that sufficient funding and financing can be secured to deliver water services.</p> <p>The projected whole of council borrowings are within the council borrowing limits. The projected water services borrowings are within the council determined limit.</p>	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Projected council borrowings against borrowing limits</b>	The projected Council net debt to operating revenue is consistently below LGFA's borrowing limit of 280%. It noticeably increases from about 180% to 250% between 2024/25 and 2029/30 before gradually decreasing to 210%.	WDC is within LGFA borrowing limits and internal borrowing limits. We note that projected borrowings are shown in a graph, therefore the figures stated are estimates.	Meets requirements	N/A
<b>Projected water services borrowings against borrowing limits</b>	WDC's water services net debt to operating revenue is within the proposed water services borrowing limit of 500%. The net debt to operating revenue increases from 355% in 2024/25 to 461% in 2029/30 before declining to 425% by 2033/34.	WDC's projected water services borrowings are within their borrowing limits.	Meets requirements	N/A
<b>Projected borrowings for water services</b>	WDC states that total net debt increases across the duration of this Plan. Net debt to operating revenue rises from 355% in 2024/25 to 461% in 2029/30, then drops to 425% in 2033/34. This is due to net debt growing faster than revenue early on, before reversing from 2030/31. Capex stays stable over 10 years. The debt increase aligns with WDC's investment plans and remains within covenants.  If WDC joins a multi-council WSCCO, it expects the organisation to follow prudent debt policies and manage borrowing per statutory requirements. WDC will monitor debt and revenue to maintain financial sustainability during the Plan period.	The Plan states that projected water services borrowings are \$219.8m over the 10 years.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Borrowing headroom/(shortfall) for water services</b>	Across the 10-year period, all water services activities remain within the borrowing limits, with no projected shortfalls against the indicative threshold of water debt remaining under 500% of water revenue. For combined water services, borrowing headroom against this limit remains throughout, ranging from \$14.4m at its lowest in 2029/30 to \$38.5m in 2033/34. This provides a buffer to manage delivery risks, timing variations, or cost escalation in the capital programme. Borrowing headroom is even greater at the whole of council level against the 280% limit. Under the projections for water, whole of council debt headroom is no lower than \$45.6m in 2031/30. As noted, revenue and operating funding increase throughout the 10 years of the Plan to ensure the ratio of debt to revenue is on a financially sustainable footing.	Headroom ranges between \$14.4m and \$38.5m over the 10-year period.	Meets requirements	N/A
<b>Free funds from operations</b>	The Plan does not model a WSCCO scenario. For the standalone Council projections, the FFO to net debt ratio ranges from a low of 4.9% in 2026/27 to a high of 8.2% in 2033/34. This improvement in gearing broadly tracks with the ratio of net debt to operating revenue.	The FFO to net debt is stated in the Plan, however an IBU is not measured against this metric. FFO to net debt ratio is less important for water services delivery through a standalone IBU than it is for a water services organisation.	N/A (not required for IBU model)	N/A
<b>Assessment of financing sufficiency</b>	WDC confirms that the Plan satisfies the financing sufficiency test as: <ul style="list-style-type: none"> <li>• Total Council borrowings are projected to be within the relevant borrowing limits;</li> <li>• Borrowing capacity exists to meet forecast capital investment, with allowance for additional headroom to provide for unforeseen contingencies; and</li> <li>• Operating balances improve and financial covenants remain robust and sustainable over the forecast period.</li> </ul>	The Plan confirms sufficient funding and financing can be secured to deliver water services.	Meets requirements	N/A

## Assessment Report: Part E – Projected financial statements for water services

Section in Part E	Summary of content in Plan	Assessment Review Comment	Focus for panel
<b>Projected funding impact statement</b>	Funding impact statement is provided with a combined view and a view with the separate water services.	Meets requirements	N/A
<b>Projected statement of comprehensive revenue and expense</b>	Statement of comprehensive revenue and expense is provided with a combined view and a view with the separate water services.	Meets requirements	N/A
<b>Projected statement of cashflows</b>	Cashflow statement is provided with a combined view and a view with the separate water services.	Meets requirements. We note there is no repayment of borrowings in the financials.	N/A
<b>Projected statement of financial position</b>	Balance sheet is provided with a combined view and a view with the separate water services.	Meets requirements	N/A

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# Assessment Report: Part E – Financial projections and measures

## Projected statement of comprehensive revenue and expense

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## Projected statement of financial position

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## Financial measures: revenue sufficiency

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## Financial measures: investment sufficiency

Water Services Delivery Plan page 124

## Financial measures: financing sufficiency

Water Services Delivery Plan page 128

# Assessment Report: Water Service Delivery Plan – Additional information

Additional information	Summary of content in Plan	Assessment Review Comment	Focus for Panel
<b>Additional disclosures to support Plan</b>	Tonkin Taylor 30 Year Capital Expenditure Re-profiling.	Additional information noted.	N/A
<b>Significant capital projects</b>	The Plan includes a list of all capital projects that generate cost in the 10-year period of the Plan. All values are shown in nominal dollars.	Additional information noted.	N/A
<b>Key issues, constraints, risks and assumptions</b>	The Plan includes key risks for individual waters, key risks that apply across all waters, significant assumptions for individual waters, key assumptions that apply across waters, and key assumptions that apply to the financial projections.	Additional information noted.	N/A