

# Water Services Delivery Plan Assessment

## Assessment Report – Ashburton 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
Asset Management Plan	AMP
Ashburton District Council	ADC
Capital expenditure	capex
Department of Internal Affairs	Department
Drinking Water Standards New Zealand	DWSNZ
Drinking Water Quality Assurance Rules	DWQAR
Funds from operations	FFO
In-house business unit	IBU
Local Government Funding Agency	LGFA
Local Government (Water Services Preliminary Arrangements) Act 2024	Preliminary Arrangements Act
Long-term plan	LTP
Operating expenditure	opex
Secretary for Local Government	Secretary
Service level agreement	SLA
Statement of comprehensive revenue and expense	SOCRE
Water services delivery plan	Plan
Wastewater treatment plant	WWTP
Water services council-controlled organisation	WSCCO

# Assessment Cover Sheet

## Background on council/s and engagement with the Department

Detail	Commentary
<b>Councils involved in plan</b>	Ashburton District Council
<b>Number of connections</b>	12,414 in 2024/25 rising to 12,860 by 2033/34.
<b>DIA comment on council engagement during Plan development process</b>	<ul style="list-style-type: none"> <li>Throughout the development of the Plan, ADC has been consistently proactive in engaging with the Department and requesting support and guidance where needed.</li> <li>In August 2024, ADC decided to stop exploring options for a joint model and instead focussed on three options; retaining in-house delivery, a new standalone WSCCO and a group structure with a new water organisation and the Electricity Ashburton (EA) Network. The Department agreed to support ADC through providing analysis on these three options.</li> <li>The Department also offered to support investigation of options for a future model's governance structure, and whether the exemptions framework relating to water organisations under the Local Government (Water Services) Act 2025 would be required.</li> <li>In early March 2025, ADC resolved to continue investigating an IBU as a preferred option and discontinue the option of setting up a WSCCO under the existing Electricity Ashburton Board.</li> <li>On 16 June 2025, the Department met with the Chief Executive to respond to some questions from ADC around implementation of their proposed IBU model.</li> </ul>
<b>Feedback provided to council prior to submission on Draft Plan</b>	ADC did not provide the Department with a draft Plan for review.
<b>Engagement with council during review and assessment process</b>	N/A
<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>	The Plan demonstrates financial sustainability, with sufficient revenue to cover the included costs and sufficient investment to meet regulatory standards and requirements.
<b>Financial Sustainability Comment</b>	Revenue, investment, and financing sufficiency are demonstrated in the Plan. ADC has low debt early in the planning period, and uses that position to phase in price changes to a more sustainable level. Debt rises above 560% for three waters and remains compliant with the overall council debt policy. The revenue setting does not follow an identifiable methodology. Price increases after 2030/31 facilitate a reduction in debt to revenue.  Operating costs for water supply are relatively high with ADC at 4% of the RV of assets compared to the national median of 3%. The high operating costs and indicative price path leave room for the Council to recalculate forecast revenue increases.
<b>Revenue Sufficiency</b>	Sufficient revenue is shown to meet the needs of the Plan. ADC sets revenue for surpluses and these surpluses range from \$962k 2024/25 to a surplus of \$7.965m 2033/34.
<b>Investment Sufficiency</b>	Planned investment is appropriate.
<b>Financing Sufficiency</b>	Council has sufficient debt capacity for the Plan within existing whole of council borrowing limits.
<b>Overall assessment recommendation</b>	The overall recommendation from the assessment phase is to <b>accept</b> the plan from Ashburton District Council.

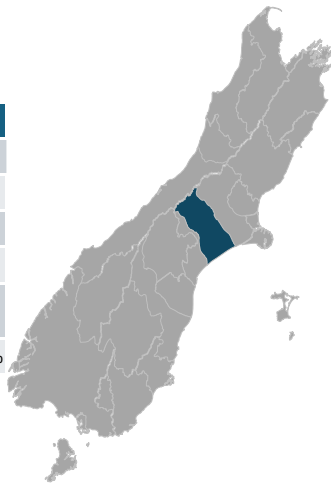
## Topics for discussion with Panel

Note the below list are topics for discussion with the Panel, and do not constitute significant issues with the ADC plan.

Issue	Description	Recommended treatment
Delivery of capital projects programme	<p>Renewal investment average of 4% of planned investment over the last seven years, with only 47% delivery of renewals in 2024/25. Delivery of total investment averages 84% over last seven years.</p> <p>ADC are also progressing a significant capital upgrade programme to meet DWQAR compliance. Four out of nine WWTPS have been completed, and the upgrade programme is expected to be complete by the end of the 2025 calendar year.</p>	<p>We recommend monitoring delivery of the capital programme during implementation, particularly in relation to:</p> <ul style="list-style-type: none"> <li>○ compliance with regulatory requirements;</li> <li>and</li> <li>○ renewals to address asset condition.</li> </ul>

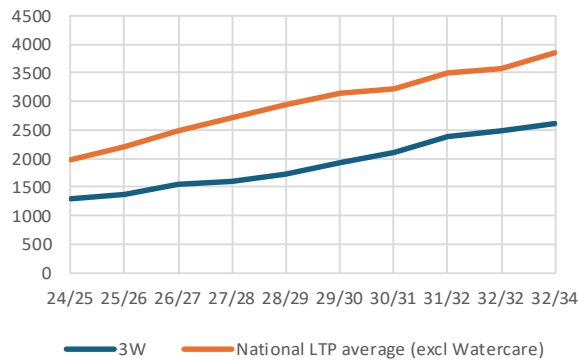
**Council summary information**

Summary information	Level
Current population	36,800
Drinking water connections	12,414
Wastewater connections	10,888
Stormwater connections	9,806
High growth council	No
10 year population growth	4.6%



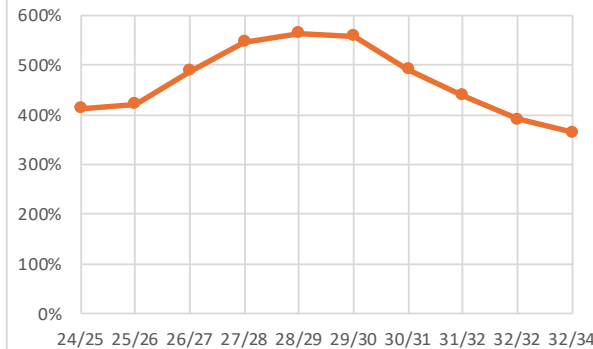
**Affordability and growth**

Water services charge compare to national LTP average



**Financing**

Net debt to operating revenue



Item	Year 1	Year 10	10 Year Average
Total charge as % of median income	1.60%	2.70%	2.16%
Annual price increase	1.30%	4.00%	7.62%
DC collected per new connection (\$)	N/A	N/A	20,491

Item	Year 1	Year 10	10 Year Average
Water related net debt to operating revenue %	413%	364%	467%
FFO to debt	9.3%	13.6%	8.8%
Whole of Council net debt to revenue (approx)	169%	173%	190%

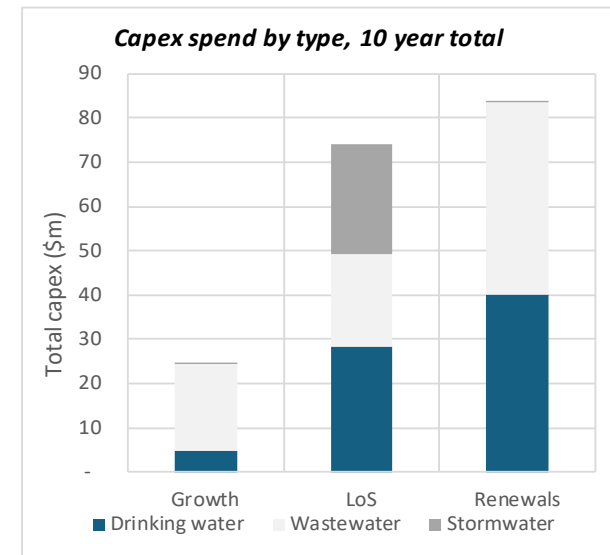
**Assets, network and compliance**

Asset measures	Year 1	Year 10	10 Year Average
Total assets per connection (\$)	26,206	36,138	32,319
Total debt per connection (\$)	5,844	10,359	9,023
Operating costs per connection (\$)	437	619	547
Age of network (years)	DW	WW	SW
Average age outlined in plan	37	32	32

Network performance	Level
Level of service performance measures achieved	68%
Water loss rate	59%
Average consumption (litres per person per day)	838

Compliance addressed in WSDP	
Drinking water compliance	Yes
Resource consent compliance	Yes

Capital expenditure	Category of capital expenditure			Total over 10 years
	Growth	Level of service	Renewals	
Drinking water	4,873	28,500	40,011	73,384
Wastewater	19,544	20,621	43,419	83,584
Stormwater	8	25,033	134	25,175
<b>Total 10 years</b>	<b>24,425</b>	<b>74,154</b>	<b>83,564</b>	<b>182,143</b>



# 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>	ADC water services currently meet revenue, investment and financing sufficiency. This is not forecast to change between now and 30 June 2028. The Council has enough headroom to borrow for unexpected events. ADC confirms that it meets the financially sustainable delivery assessment, as detailed in Part D of this plan.	Financial sustainability confirmed.	Meets requirements	N/A
<b>The proposed model to deliver water services</b>	An IBU will be established to deliver water services for the Ashburton district. It will operate within the ADC’s existing organisational structure, with additional autonomy due to its own water services strategy, budget, revenue, and governance.	<p>The proposed in-house model to deliver water services is clear with a transition from the current arrangements, over a period of two years, to be operational by 1 July 2027.</p> <p>The organisation structure is changed, with the IBU operating as a part of the wider Council organisation, with its operations financially ring-fenced from other activities to comply with regulatory requirements.</p> <p>The Council will appoint a committee to three waters governance.</p> <p>The IBU will be responsible for the planning, design, and management of delivery for three waters services.</p>	Meets requirements	N/A

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p><b>Implementing the proposed service delivery model</b></p>	<p>A detailed implementation plan has been provided.</p> <p>ADC has committed to a draft implementation plan for the proposed service delivery model. This is based on its current understanding of the legislative and regulatory framework the water services IBU will be subject to, internal requirements for establishment, anticipated resourcing, and governance.</p> <p>The Plan includes key milestones with timeframes with full IBU implementation from 1 July 2027.</p> <p>The Plan will be implemented by an internal establishment team, including staff from across the organisation and external support as required. Progress will be reported to the Water Services Committee and/or Council.</p>	<p>An implementation plan is provided including timeline and roles and responsibilities, which meets the requirements of section 13(2) of the Preliminary Arrangements Act.</p>	<p>Meets requirements</p>	<p>N/A</p>

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Consultation and engagement undertaken</b>	<p>ADC commissioned Morrison Low to complete financial modelling and ADC officers prepared a business case considering two service delivery models to underpin the information needed for effective community consultation. During the 19 March 2025 Council meeting, the Council resolved to consult with the community on the following two service delivery models:</p> <ol style="list-style-type: none"> <li>1. Stand-Alone Business Unit - Council continues to deliver drinking water, wastewater, and stormwater services after making all necessary changes to meet new requirements.</li> <li>2. WSCCO - Council establishes a WSCCO which manages and delivers water services independently, with Council as shareholder.</li> </ol> <p>Council selected Option 1, the IBU, as its proposed model for community consultation.</p> <p>From 27 March to 27 April 2025, ADC undertook community consultation on the future of water services delivery for the district. Given the significance of the decision, a copy of the consultation document was delivered to each household.</p>	Consultation was carried out 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>	<p>At the 20 August 2025 Council meeting, ADC resolved the following.</p> <p>That Council: a) Notes the Chief Executive agrees to certification of the Water Services Delivery Plan b) Adopts the attached Water Services Delivery Plan for submission to the Secretary for Local Government.</p>	N/A.	Meets requirements	N/A

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Certification of the Chief Executive of Ashburton District Council</b>	The CE certified the plan on 21 August 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>ADC is responsible for managing:</p> <ul style="list-style-type: none"> <li>• 10 water schemes and 11 distribution zones serving 12,414 connections;</li> <li>• Seven rural water schemes;</li> <li>• Three wastewater schemes serving approximately 9,000 connections; and</li> <li>• Four stormwater rating areas.</li> </ul> <p>Of the 25 performance measures, 17 were met in 2023/24.</p>	<p>A small increase in connections is expected over the 10-year period. 68% of performance measures were met.</p> <p>The Council is considering water meters to understand demand and water loss, but not for charging. Water loss is estimated at 59%, with water usage at 838l/p/d. With no clear plan to address these issues these metrics should be monitored for improvement.</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 32-37 years.</p> <p>Roughly 35% of assets are in poor/very poor condition.</p>	<p>Condition and criticality information is collected and used to plan the renewals programme.</p> <p>We recommend asset deterioration is monitored given condition ratings.</p>	Meets requirements	N/A
<b>Asset management approach</b>	<p>ADC retains responsibility for asset planning, compliance, and investment programming, while day-to-day operations and maintenance are carried out by contracted service providers.</p>	<p>There is little change in delivery mechanisms.</p> <p>Areas for improvement have been identified in the asset management maturity assessment with high-level discussion on how improvements will be implemented.</p>	Meets requirements	N/A

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p><b>Statement of regulatory compliance</b></p>	<p>The Plan notes that most schemes do not meet DWSNZ standards in E.coli or protozoa.</p> <p>ADC are progressing a major capital upgrade programme which will address the DWQAR requirements. Methven and Mt Somers have already had membrane treatment plants built and commissioned. The remainder of the WTPs are having UV disinfection equipment installed (including cartridge filters if required).</p> <p>Currently four plants out of nine have been completed and the upgrade programme is expected to be complete by the end of the 2025 calendar year.</p> <p>Montalto is an on-demand supply which may see demand change with land use changes. It supplies 35 connections.</p> <p>The abatement notice and infringement for wastewater are related to the same issue, around the discharge of sludge to land at the Rakaia WWTP. This was cleared in December 2024 after a capital upgrade to install sludge drying beds and off-site disposal instead of discharging to land.</p> <p>The Council has 14 water take, 13 wastewater discharge, and four stormwater consents. There are no current active consent applications.</p> <p>Four consents expire in the next 10 years.</p>	<p>Montalto is an issue due to historic differences in how it is configured that make applying the acceptable solutions difficult. ADC are working through the implications and options with the Water Services Authority to provide an affordable and practical solution and have included budget for an anticipated solution.</p> <p>ADC have modelled future funding required for consent works. Capex has been allocated for the consents due to expire.</p> <p>The abatement notice has been explained and rectified.</p> <p>We recommend that the capital programme is monitored to ensure compliance is achieved as indicated.</p>	<p>Meets requirements</p>	<p>Yes</p>

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p><b>Capital expenditure required to deliver water services and ensure that water services comply with regulatory requirements</b></p>	<p>The investment programme is drawn from the 2024–2034 LTP and AMP and reflects the scale of work required to meet LOS targets, regulatory obligations, and growth demand. It also front loads significant renewals and upgrades to replace aging infrastructure.</p> <p>Stormwater expenditure focusses on improving LOS with minimal spend on renewals.</p> <p>Significant projects are listed in the additional information section.</p> <p>The capex programme ranges from \$9-29m per year with consistent spend on renewals. Spending peaks in years 2026/27 to 2029/30.</p>	<p>Plan includes sufficient investment to achieve compliance, LOS and enable growth. Renewals are appropriate given the age of the assets.</p>	<p>Meets requirements</p>	<p>N/A</p>
<p><b>Historical delivery against planned investment</b></p>	<p>Renewal investment average of 74% of plan over the last seven years, with only 47% delivery of renewals in 2024/25. Delivery of total investment averages 84% over seven years.</p> <p>The low number in 2024/25 is largely due to two major activities, a trunk sewer renewal and the significant water treatment plant upgrade programme.</p>	<p>The capital programme increases from 2026/27 to 2029/30 due to drinking water LOS, renewal projects, and wastewater renewal projects. ADC have noted that increased resourcing has been allocated to deliver this programme.</p> <p>We recommend monitoring delivery of the capex programme.</p>	<p>Meets requirements</p>	<p>Yes</p>

# 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>ADC’s Revenue &amp; Financing Policy 2024 sets the current charging for three waters services during the transition to IBU. Future reviews may introduce alternative charging methods.</p> <p>Current drinking water service charges:</p> <ul style="list-style-type: none"> <li>• Group Water Supply (connected): fixed amount of \$741.50 per unit (Ashburton, Lake Hood, Methven, etc.)</li> <li>• Group Water Supply (serviceable): fixed amount of \$370.75 per unit (Ashburton, Chertsey, etc.)</li> <li>• Extraordinary Users: fixed amount of \$1.00/1,000L over 90m<sup>3</sup>/quarter</li> <li>• Residential Extraordinary: fixed amount of \$1.00/1,000L over 438m<sup>3</sup>/year</li> <li>• Barrhill Water Supply: fixed targeted rate of \$391.60 per unit</li> <li>• Lyndhurst Water Supply: fixed targeted rate of \$193.20 per unit</li> <li>• Montalto Water Supply: fixed targeted rate of \$2,252.00 per unit or differential rate of \$75.30/hectare</li> </ul> <p>Additional fees: connection/disconnection, main tapping, reticulation recovery, inspection, bulk water, meter testing.</p> <p>Development contributions apply to new developments, ranging from \$1,941–\$21,510 depending on location.</p>	<p>All three waters are discussed and charging mechanisms are sufficiently detailed. The Plan notes that there is the potential for charging arrangements to change following a review of the Revenue &amp; Financing Policy (e.g., fixed charges, or usage based). ADC maintains separate reserves for each water scheme and adjusts for rating surplus/deficit at each year end with running balances maintained and considered when setting new rates. Funds are transferred into a renewals reserve for each scheme to cover future asset renewals, with money released as renewals occur or to repay debt.</p> <p>Generally, charges are set on a per property basis, however water supplies include some charges by volume and some set on a per hectare basis.</p> <p>Sewage disposal is also charged on a per property basis, with an additional charge per pan. Additional pans are not charged for residential properties.</p>	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
	<p>Wastewater rates for Ashburton urban, Methven, and Rakaia in 2025/26:</p> <ul style="list-style-type: none"> <li>• Connected supply: fixed amount of \$603.60 per unit</li> <li>• Serviceable supply: fixed amount of \$301.80 per unit</li> <li>• Extra urinals/pans (over three, non-residential): \$201.20 each. Fees cover connection, disconnection, trade waste, septage, reticulation recovery, and inspections.</li> <li>• Development contributions for new developments: \$1,215–\$2,625, depending on location.</li> </ul> <p>Stormwater collection, treatment, and disposal are funded by a general rate (10%) and a targeted urban amenity rate (90%), based on capital value in Ashburton, Hinds, Methven, Rakaia, and some rural areas. The average Ashburton residential ratepayer pays \$114. Development contributions are not currently charged for stormwater.</p> <p>Charging and collection of rates revenue will be through the rates system and charging for other sources of revenue will be through invoicing via the general debtors system. This information is extracted from the below section.</p>	<p>Stormwater is set with a general rate contribution of 10% and the balance on a Capital value rate.</p>		

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p><b>Water services revenue requirements and sources</b></p>	<p>From 2028/29, IBU is expected to generate enough revenue to cover operating costs, renewals, and debt repayment. The Council is slowly increasing charges over the first few years of the plan to lessen the impact on users. Revenue will continue to come from existing sources: general rates (10% for stormwater, under review), targeted rates (fixed and volumetric for water/wastewater, capital value for stormwater, 90% collected via Urban Amenity rates, under review), fees and charges (for new connections, extraordinary water use, wastewater, commercial water supply, and high water user agreements), borrowing (for capital and growth assets, repaid via development contributions), development contributions (for growth-related capital costs), and grants/subsidies (from government or organisations for water projects). Stormwater development contributions are under consideration.</p> <p>Total required revenue is included by way of a snip from the funding impact statement that shows operating funding of \$16.5m in 2024/25 increasing to \$33.7m by 2033/34.</p>	<p>ADC is smoothing in the initial years of the plan to reduce the transitional impact of charge increases.</p> <p>The Council does not use commercial / non-residential differentials in assessing revenue requirement as there are no users that contribute a significant amount of revenue.</p> <p>Charging and collection methodology is sufficiently detailed.</p> <p>Operating costs as a percentage of the RV of the assets are high at approximately 4%. The median for Councils is approximately 3.1% and the lowest at 2% (based on analysis of 2024-34 LTPs).</p> <p>This indicates that there is room for council to reconsider prices in the latter years of the plan.</p>	<p>Meets requirements</p>	<p>N/A</p>

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p><b>Existing and projected commercial and industrial users' charges</b></p>	<p>Large industries pay trade waste fees as set by agreements and bylaws. 2025/26 fees:</p> <ul style="list-style-type: none"> <li>• Registration form/assessment: Free</li> <li>• Application for consent: \$160 (one-off)</li> <li>• Annual permitted category: \$250</li> <li>• Annual conditional consent: \$426</li> <li>• Follow-up inspections: At cost</li> <li>• Excess volume: \$0.60/m<sup>3</sup></li> <li>• Excess BOD5: \$2.40/kg</li> <li>• - Septic tank waste: \$60/m<sup>3</sup></li> </ul>	<p>Council has charges for water by meter for “extra-ordinary” users, which are large use commercial users. There are also trade waste fees for sewage disposal.</p> <p>ADC does not distinguish between residential and commercial properties based on use.</p>	<p>Meets requirements</p>	<p>N/A</p>
<p><b>The affordability of projected water services charges for communities</b></p>	<p>The Plan notes that ADC aims to keep water services affordable and efficient while meeting regulations. Charges will cover full service costs, including asset renewal. Average charges are set to rise from \$1,441 in 2024/25 to \$2,948 in 2033/34, averaging a 10.5% annual increase. Charges will stay between 1.6% and 2.7% of median household income, though actual impacts will vary by property and charging methods.</p>	<p>Average charges are projected to increase by 10.5% per year (\$1,441 to \$2,984 between 2023/24-2033/34), with water services charges remaining between 1.6-2.7% of projected median household income.</p> <p>Part D provides further detail on affordability measures.</p>	<p>Meets requirements</p>	<p>N/A</p>

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Funding and financing arrangements</b>				
<p><b>Water services financing requirements and sources</b></p>	<p>Projected net debt for water services is expected to rise from \$72.5m in July 2024 to \$133.2m by June 2034. Minimum cash balance is forecast as a \$7.17m overdraft, but this is temporary, with \$10.465m in cash and financial assets projected by 2033/34. Working capital will be managed under the Council's liquidity policies.</p> <p>ADC's debt-to-revenue cap is 250%, with potential to increase to 280% under future policy reviews. Water services investment and operating costs will be funded by operating revenue and debt. Operating revenue covers operating costs, depreciation, and debt servicing. Depreciation funding will help pay for renewals and/or repay historic debt. Growth capital expenditure will be partly funded by development contributions, with debt covering any shortfall.</p> <p>New borrowing terms will align with the useful life of assets, supporting intergenerational equity. Debt will be managed to maintain ADC's AA+ credit rating, with financing costs expected to remain stable. Debt will be repaid over the life of the assets, with no plans for early repayment using surplus cash.</p>	<p>The projected borrowing requirements are specified, with reference to Part D for further information.</p> <p>Net debt is projected to rise from \$72.5m in 2023/24 to \$133m by 2033/34.</p> <p>Minimum cash and working capital requirements are detailed and will be managed through the Council's liquidity requirements set within their Liability Management Policy. Borrowing limits are outlined and the strategy for financing water services investment and operating expenditure is included.</p> <p>The debt strategy includes commentary on repayment to be made over the life of the underlying asset with no intention to extinguish debt early or use excess cash.</p>	<p>Meets requirements</p>	<p>N/A</p>

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Internal borrowing arrangements</b>	ADC manages its debt based on cash needs, without distinguishing between internal and external borrowing. Surplus funds from non-water services may support overall debt, but are not allocated to specific projects. Water services does not lend internally. All borrowing costs are managed together, and this approach will continue.	There is no internal lending from water services to other council activities. It follows that ADC's debt portfolio does not differentiate between internal and external borrowings. As an IBU model, spreading revenue internally is part of the financial strategy, however these funds are not specifically allocated. No discussion on the ringfencing of water services now or in the future is included. The lack of fund allocation indicates ringfencing arrangements are not yet in place.	Meets requirements	N/A
<b>Determination of debt attributed to water services</b>	As at 30 June 2024, Council's water services debt was allocated based on actual balances, using a council-wide borrowing approach. Capital spending was tracked for each major activity, with LGFA borrowings, commercial papers, and bonds proportionally allocated. Council will review and implement financial systems to meet standards.  Water services borrowing totalled \$55.868m at 30 June 2024, with net debt to operating revenue at 355%.	Total water services debt at 2023/24 was \$55.9m (net debt to operating revenue of 355%).  The debt attribution is in accordance with the Council's Funding Impact Statements.	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>ADC holds required insurance policies for water assets. Above-ground assets are covered by the Local Authority Protection Programme and a Material Damage Policy via multiple insurers. An Implementation Plan will clarify cost allocation and documentation for water services.</p> <p>Insurance cover is reviewed annually. While no formal risk assessments are done yet, a framework is being developed. Insurers handle risk evaluation.</p> <p>Insured values are based on latest asset valuations with added margins. Current insurance: \$49m for above-ground, \$530m for underground water assets.</p> <p>Insurance management policy and asset values are reviewed regularly. Above-ground structures are fully insured; below-ground assets are insured for 40% of replacement value for natural disasters, with the balance covered by central government. Key risks and mitigation will be formally documented, and insurance is reported to Council annually.</p>	<p>Sufficient information is provided in the Plan.</p> <p>Information about risk evaluation and assessment is not provided as the Plan states this is performed by insurers.</p> <p>Information about insurance disaster response and review policy, key insurable risks, risk appetite, tolerance, and mitigations is not detailed. The Plan notes that “Formal documentation will be developed for key insurable risks, risk appetite, tolerance, mitigations and links to disaster response policies”.</p> <p>Current level of insurance is \$49m for above ground water services assets and \$530m for underground assets.</p>	Meets requirements	N/A

Sensitivity: General

**IN CONFIDENCE**

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# 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>	ADC confirms that its water services are financially sustainable and that this will not change before 30 June 2028, with sufficient revenue, investment, and financing to meet costs, service levels, regulations, and future growth. Further details are provided in Part D.	ADC confirms they will achieve financial sustainability by 30 June 2028.  Confirmation of revenue, investment and financing sufficiency provided.	Meets requirements	N/A
<b>Actions required to achieve financially sustainable delivery of water services</b>	Key actions for financially sustainable water services include stricter ring-fencing and financial reporting, charge increases as consulted, and projects for renewal, upgrades, and regulatory compliance as per the 2024 – 2034 Long-Term Plan. New projects from the Local Water Done Well process are included, some previously unfunded. The plan meets growth, renewal, service, and regulatory needs. From 2026/27, a 100% depreciation recovery approach funds renewals and debt repayment, with phased implementation for different services. Under this approach, drinking and wastewater achieve a 100% recovery by 2029/30 while stormwater is only forecast to recover 30% over the life of the Plan. Stormwater funding and charges will be reviewed. Water meters will be installed in remaining areas for monitoring, but not charging. Borrowing will stay within Council limits, with room to increase if needed.	Ring fencing and financial reporting will be implemented (refer to Part A) to achieve financially sustainable delivery of water services.  Stormwater depreciation is not fully recovered in the Plan, however the Council deems this appropriate as most of the capex programme for wastewater is attributable to increasing LOS.  Projected price path requirements reference the previous section, recovery of depreciation sufficiently detailed.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Risks and constraints to achieving financially sustainable delivery of water services</b>	<p>Risks to financial sustainability include:</p> <ul style="list-style-type: none"> <li>• Major delays in capital spending. To manage this, the programme will be updated yearly, and external contractors will be hired for extra work that cannot be handled in-house.</li> <li>• Capex programme differs from projections. It will be updated annually, with debt and affordability reviewed. Council has ample borrowing capacity under LGFA covenants for extra debt if needed.</li> <li>• Actual inflation and interest costs exceed projections. Budget allowances align with the LTP, but the programme will be updated annually to reflect external changes.</li> <li>• Growth developments lag behind water services growth related capital costs resulting in additional debt servicing costs. Close relationships will be maintained with developers to ensure appropriate timing.</li> <li>• If insurance is lost, repair costs from major natural events would be high, requiring work to be prioritised. Extra borrowing and higher rates would be needed, and borrowing capacity would help manage this risk.</li> <li>• Major legislative or regulatory changes would need more investment. No major changes are expected, but the Council will stay prepared and work with regulators and government.</li> <li>• A major natural event could strain Council finances. Borrowing is available, but the capital programme could require major changes.</li> </ul>	<p>Sufficient detail on the summary of risks and mitigation measures provided</p> <p>More detail also provided in ‘additional information’ outlining assumptions etc.</p>	<p>Meets requirements</p>	<p>N/A</p>

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Assessment of revenue sufficiency</b>				
<b>Projected water services revenues cover the projected costs of delivering water services</b>	Projected water services revenue is enough to cover costs. Extra operating costs for new regulatory compliance are included. Revenue is expected to exceed expenses every year except 2025/26 to 2027/28, when there will be a \$0.3m–\$0.6m annual deficit. From 2028/29, a net surplus is forecast, which will help fund capital renewals and reduce debt.	There is a deficit in 2024/25-2027/28 (\$0.3-\$0.6m) before net surplus is achieved from 2028/29 onwards. Expenses (excl. depreciation and interest) remain relatively flat across the period, but depreciation and interest costs increase year on year.	Meets requirements	N/A
<b>Average projected charges for water services over FY2024/25 to FY2033/34</b>	The provided table shows the projected average charge per connection will rise by 7.6% annually over the next ten years, due to Council using debt to fund capital works not covered by depreciation. This analysis is for general affordability; actual customer impact will depend on future charging methods and funding strategies. Projected median household income is based on 2023 Census data, adjusted for inflation as per the 2024 – 2034 LTP assumptions.	Average charge per connection is expected to increase at an average of 7.6% annually over the next 10 years, with a max increase of 12% in 2026/27. Water services charges as a percentage of median income increase from 1.6% in 2024/25 to 2.7% in 2033/34, just above the 2.5% internal benchmark.	Meets requirements	N/A
<b>Projected operating surpluses/(deficits) for water services</b>	The Council plans to cover operational costs over the next 10 years, with surpluses expected except from 2025/26 to 2028/29. Depreciation on key assets will be fully funded each year. Surpluses beyond renewals will go towards debt repayment. Growth and LOS capital spending will be funded by development contributions and loans. A small deficit is budgeted in years two-five as users transition to the full cost of water services.	Operating surplus ratio is negative from 2024/25 – 2028/29; lowest at (6.2)% in 2025/26. The ratio peaks at 18.3% in 2033/34.  Surplus generated will be applied to debt, deficits are reflective of the transitional period.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Projected operating cash surpluses for water services</b>	The table shows the Council's operating cash ratio rising from 52.5% in 2024/25 to 67.6% in 2033/34, reflecting stronger cashflows over 10 years. Modelling confirms enough cash to cover renewals, with early debt funding repaid by positive cashflow. Cash surpluses go first to renewals, then to water services debt repayment.	Operating cash surplus increases from 52.5% in 2024/25 to 67.6% in 2033/34 and maintains a positive level across the same period.  Will be used to repay renewals related to debt drawdown and then water services debt.	Meets requirements	N/A
<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>	ADC's proposed water services investment is sufficient. The programme is based on assets requiring renewal, regulatory requirements and forecasted growth as budgeted for in the LTP 2024 – 2034. The proposed level of investment has funds allocated using the three capex types.	ADC proposed water services investment is sufficient. \$181m will be invested over 10 years, more than double depreciation.	Meets requirements	N/A
<b>Renewals requirements for water services</b>	Renewals developed via AMPs, IS and LTPs.  Renewals are above depreciation for first five years then reduce (due to increase in depreciation and reduced spend).  Renewals are targeting wastewater network renewals and drinking water assets over the next 10 years and are consistent over the period.  96% of depreciation spent on renewals.	The asset sustainability ratio fluctuates throughout the plan, with positive ratios for the first five years and negative in the later years. Renewals have been accelerated for Methven water supply in response to water balance analysis and faults. Renewals then drop off. While the overall ratio over the 10-year plan is positive (3%) it indicates that renewals are only marginally keeping up with depreciation.	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>Positive investment ratio in 8 years of the plan.</p> <p>Wastewater LOS improvements are a focus in 2026/27 and 2029/30 – 2031/32.</p> <p>Stormwater capex to improve LOS increase in years 2026/27, 2027/28 and 2029/30.</p>	<p>The Plan has a focus on drinking water LOS improvement investment in the first four years with drinking water renewals consistent across the planning period.</p> <p>Fluctuations in the ratio are due to additional projects included and the timing of investments to meet regulatory requirements, LOS and growth. Greater certainty on regulatory requirements is also reflected in the early years of the ratio.</p>	Meets requirements	N/A
<b>Average remaining useful life of network assets</b>	Asset average life remaining is increasing from 61.5% to 70.7% between 2024/25 and 2033/34 due to expenditure on renewals.	Asset average life remaining is increasing due to expenditure on renewals and LOS projects.	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>The Council confirms sufficient funding and financing for water services through 2033/34. Capital expenses are covered. Asset renewals will use depreciation. Regulatory and service improvements will use debt. Growth will use developer contributions and debt. Borrowing will be from the LGFA.</p>	ADC confirms that sufficient funding and financing can be secured to deliver water services. Further detail on the relevant measures is included below.	Meets requirements	N/A
<b>Projected council borrowings against borrowing limits</b>	ADC's net debt stays within its 250% policy limit, peaking at \$228m in 2029/30, then dropping to \$212.6m by 2033/34. Net debt to revenue ratio hits 215% in 2026/27, declining to 173% by 2033/34, leaving room for unexpected borrowing.	Net debt remains below the borrowing limit across assessment period. Peaks at \$228m in 2029/30 and trends downward to \$212.6m in 2033/34.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Projected water services borrowings against borrowing limits</b>	The provided graph shows three waters net debt-to-revenue ratio, excluding other Council areas. ADC treats water debt as part of total council debt, within a 250% net debt-to-revenue limit. There is enough borrowing capacity for unexpected costs. Council may set a separate water services benchmark later.	Benchmark for water services not implemented, as ADC considers water debt as part of all council debt.  Council notes that there is sufficient headroom within council debt limits (250% of net debt to operating revenue).	Meets requirements	N/A
<b>Projected borrowings for water services</b>	Net debt for water services is expected to rise from \$69m in year one to \$122m by year 10, primarily funding LOS and growth capex. Debt for renewals will be repaid from operational surpluses. Council will review its financial policies in the 2027 – 2037 LTP. All borrowings will be through LGFA, with the overall debt-to-revenue ratio kept below 250%. No specific debt limit for water services is set yet but will be considered in the next plan. The 250% limit is not expected to be breached, leaving room for unforeseen events.	Net debt projected to increase from \$69m to \$122m across 2024/25 – 2033/34 primarily used to fund LOS and growth capex.  Water net debt to operating revenue % increases from 413% in 2024/25 to 563% in 2028/29 before falling to 364% in 2033/34. Although ADC has not set a limit for water services net debt, LGFA suggested limit of 500% is exceeded in this plan.  The overall debt limit of 250% for full council is not expected to be breached.  Council has the capacity to increase debt as set out in the plan. However, debt peaks at 563% of revenue and then reduces to 364% in year 10.	Meets requirements	N/A
<b>Borrowing headroom/(shortfall) for water services</b>	The Council has not set a water services debt limit yet, so for now is using LGFA's 500% limit for WSCCOs. The plan shows no headroom in years 3–5, but the Council overall has enough headroom to cover unexpected costs, so water services are not restricted by the 500% limit. This will be reviewed during the 2027 – 2037 LTP development.	ADC is using LGFA's 500% limit as proxy.  There is no headroom between 2026/27 – 2029/30 where the shortfall ranges from \$(9.5)m to \$(14.4)m, However there is headroom at an all of council level.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Free funds from operations</b>	The Council's average ratio is 8.2% over 10 years, rising to 13.6% by 2033/34, showing enough leverage to fund debt. Although FFO is below the usual 10%, Council believes its credit risk is lower than a comparable WSCCO, making the lower FFO acceptable. The Plan confirms compliance with DTR and lending covenants.	FFO begins at 9.3%, falling to 6.2%, then rising to 13.6% by 2033/34. As a measure it is not particularly relevant to the Council as its borrowing is based on debt to revenue ratios rather than FFO. However, the shape of the curve falling in the last 4 years indicate that the revenue increases in the last 4 years are higher than necessary.	Meets requirements	N/A
<b>Assessment of financing sufficiency</b>	ADC confirms it will remain within the whole of council debt to revenue covenants imposed by LGFA and stay below 500% debt to revenue water services ratio.	The Plan confirms financing sufficiency.	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>	Statements provided for each activity.	Meets requirements	N/A
<b>Projected statement of comprehensive revenue and expense</b>	Statements provided for each activity.	Meets requirements	N/A
<b>Projected statement of cashflows</b>	Statements provided for each activity.	Meets requirements	N/A
<b>Projected statement of financial position</b>	Statements provided for each activity.	Meets requirements	N/A

# Assessment Report: Part E – Financial projections and measures

## Projected statement of comprehensive revenue and expense

Water Services Delivery Plan page 62.

## Projected statement of financial position

Water Services Delivery Plan page 63.

## Financial measures: revenue sufficiency

Water Services Delivery Plan pages 51 to 53

## Financial measures: investment sufficiency

Water Services Delivery Plan pages 54 to 56

## Financial measures: financing sufficiency

Water Services Delivery Plan pages 57 to 60

## 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>	N/A	N/A	N/A
<b>Significant capital projects</b>	A list of significant capital projects is provided in the Plan.	Information provided is sufficient.	N/A
<b>Key issues, constraints, risks and assumptions</b>	Key risks and assumptions are provided in the Plan.	Information provided is sufficient.	N/A