

Water Services Delivery Plan Assessment

Assessment Report – Hawke's Bay



Glossary and abbreviations

The table below sets out the abbreviations used in this report

	Abbreviation
Asset Management Plan	AMP
Capital expenditure	Capex
Central Hawke's Bay District Council	CHBDC
Department of Internal Affairs	Department
Drinking Water Quality Assurance Rules	DWQAR
Funds From Operations	FFO
Hastings District Council	HDC
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
Napier City Council	NCC
Wairoa District Council	WDC
Water Services Delivery Plan	Plan
Water Services council-controlled organisation	WSCCO

Assessment Cover Sheet

Background on councils and engagement with the Department

Detail	Commentary
Councils involved in Plan	Napier City Council, Central Hawke’s Bay District Council, and Hastings District Council
Number of connections	Drinking water: 53,996 Wastewater: 51,427 Stormwater: 51,523
DIA comment on council engagement during Plan development process	<ul style="list-style-type: none"> • Since September 2024, NCC, CHBDC, and HDC have worked with Wairoa District Council (WDC) to discuss the potential of a joint regional Hawke’s Bay WSCCO. • The Councils have maintained consistent proactive engagement with the Department throughout the development of their Plan. • Through financial modelling it was identified that on a stand-alone basis each Council had financial sustainability issues that would need to be worked through to meet the requirements for their Plans, however, a joint WSCCO regional model would address these issues and showed significant financial benefits through increased debt headroom. • In March 2025, LGFA provided guidance to the Councils to assist the development of a Hawke’s Bay regional WSCCO. The guidance outlined that if the Hawke’s Bay councils chose to create a regional WSCCO, they would be able to obtain greater financial leverage than if they chose to keep their water services in-house. • From May to June 2025, the four councils each consulted on the Hawke’s Bay regional WSCCO as a preferred option. • In July 2025, the NCC, CHBDC and HDC all approved a joint WSCCO for their future water service delivery model. WDC resolved to proceed with an individual Plan based on a Wairoa single council WSCCO, exiting the Hawke’s Bay regional grouping as their preferred model. • The final joint Plan was submitted by NCC, CHBDC and HDC on 2 September 2025.

Detail	Commentary
Feedback provided to council prior to submission on Draft Plan	<ul style="list-style-type: none"> • The Department received a draft Plan for review on 2 July 2025 from the Hawke’s Bay regional councils for a WSCCO that included WDC (as this was prior to its decision to withdraw from the grouping). The Department responded on 11 July 2025 with feedback noting some areas where further detail and clarification was needed for a full view on financial sustainability to be formed. Following this feedback, the Department met with the project team and plan leads from each of the Councils to discuss the feedback and answer any questions.
Engagement with council during review and assessment process	<ul style="list-style-type: none"> • The final joint Plan was submitted by NCC, CHBDC and HDC on 2 September 2025. • Following submission, the Department requested further information on technical matters, including: <ul style="list-style-type: none"> ○ Deliverability of the increased capital expenditure programme and associated risks; ○ Allocation of funding to address expiring consents; ○ CHBDC’s planned projects and costs to address the drinking water non-compliances (and associated data issues) and boil water notices; and ○ NCC’s planned projects and costs to address drinking water non-compliances. • The Department’s assessment team was satisfied that the Councils’ clarifications provided the additional detail required.
Other Background Comments	<ul style="list-style-type: none"> • CHBDC has also submitted a reduced capex and debt alternative Plan in the appendix which would improve affordability from 6.5% to 4.8%. • A significant enabler of this amendment is the proposed national wastewater standards which will allow surface water discharges. This will provide certainty on the effluent discharge quality requirements enabling better confidence in planning and forecasting the upgrades.

Assessment Summary

Section	Commentary
Confirmation of submission completeness checklist	Yes – all required components completed.
General Comment on Plan	<p>The Department’s assessment identified no issues regarding the financial position of NCC, CHBDC and HDC. The Plan is assessed as meeting the legislative requirements set out in section 13 of the Preliminary Arrangements Act.</p> <p>The Plan meets financial and investment sustainability but initially proposes independent water charges set by each Council. The Plan includes efficiency targets which are ambitious in the later years of the Plan. Capex has been scaled back by 20% against LTP forecasts. CHBDC has raised concerns with affordability, however the Plan does not comment on benefits for CHBDC resulting from changes to wastewater standards. In addition, our assessment is that the level of operating efficiencies modelled in the Plan is conservative, and additional savings may be realised through efficient operations.</p>
Financial Sustainability Comment	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. However, we note the Plan states there is an opportunity to refine the balance between revenue, debt, and investment timing. This may reduce the reliance on new borrowing or improve affordability outcomes for consumers, while still maintaining service levels and financial sustainability. The risk and mitigations are identified and discussed fairly in the Plan.
Revenue Sufficiency	The average projected charges for water services rise over the 10 years from \$1,642 to \$3,190 in 2033/34, a 94% increase, we note this is an average across all three Councils. The average charges for each of the three Councils is different and discussed later in this report. The projected water services revenues cover the projected costs of delivering water services with operating cash surpluses starting at \$28.3m and increasing to \$108.9m in year 10. The operating cash ratio shows that water service charges are set at a level sufficient to fund all operating costs including interest, with surplus cash available for reinvestment in the network. The projected operating deficits for water services reduce from \$37.3m to \$6.8m over the 10 years due to high depreciation charges. We note the Plan states there is scope for the WSCCO to review charges to establish a transition pathway to harmonised pricing.

Section	Commentary
<i>Investment Sufficiency</i>	The proposed investment in water services is \$1.25b over 10 years which is sufficient to meet LOS, regulatory requirements and provide for growth. The asset investment averages 101% over the period and indicates that asset investment is sufficient to maintain the network. Investment in renewals and LOS over the 10-year period results in an increase in average asset life as measured by the asset consumption ratio, which increases from 53% to 76.3% over the period.
<i>Financing Sufficiency</i>	The Plan confirms sufficient funding and financing can be secured to deliver water services and the WSCCO meets all LGFA ratios with strong surplus operating cash flows. Projected borrowings for water services are \$863.3m over 10 years. Forecasts indicate from 2027/28 onward the FFO increases above the 8% threshold to service debt, contribute to liquidity and headroom, and meet the proposed investments.
<i>Overall assessment recommendation</i>	The overall recommendation from the assessment phase is to accept the Plan from NCC, CHBDC, and HDC.

Issues for discussion with Panel

Issue	Description	Recommended treatment
Capex delivery	<p>The Plan is based on reducing overall investment in the LTP's by 20%. The total investment of \$1.25 billion over the 10 years is sufficient to meet investment, renewal sufficiency requirements and compliance standards.</p> <p>Delivery of the capex has been mixed in previous years across the Councils.</p>	We recommend monitoring the capital delivery plan during implementation.
Charging and billing arrangements for Hastings District Council	Councils have included sufficient data on charging and billing arrangements in the Plan. We note that HDC currently applies capital value general rates for some water charges, and this must be phased out by 1 July 2029.	We recommend monitoring HDC's billing arrangements during implementation.
Affordability for Central Hawke's Bay District Council	<p>Across all three Councils, affordability over the 10 years rises from 1.9% to 3.0% of median household income and roughly aligns to the guidance provided by the Department of 2.5% of median household income.</p> <p>For CHBDC, the affordability metric increases from 4.4% to 6.5% in year 10. This is addressed in the Plan, and CHBDC provide alternative capital programmes which may reduce this cost (noting these alternative programmes have not been assessed for investment sufficiency).</p> <p>Our assessment is that the level of operating efficiencies modelled across the Plan is conservative, and additional savings may be realised through changes to the wastewater standards and efficient operations.</p>	We recommend monitoring affordability of charges for CHBDC during implementation.

Issue	Description	Recommended treatment
Drinking water regulatory compliance	<p>CHBDC has non-compliances related to Supervisory Control and Data Acquisition and reporting rather than barriers. Additional information was requested from CHBDC. They have confirmed that all but one of the non-compliances were due to data loss and a programme to improve this has been allocated. The other non-compliance (Pōrangahau) has had a UV upgrade to achieve compliance.</p> <p>An explanation regarding the CHBDC boil water notices has also been provided. Construction is underway to address the third of three recent boil water notices, and no boil water notices are currently in place.</p> <p>Additional information has also been provided for NCC's projects to address DWQAR non-compliances.</p> <p>CHBDC provided additional information regarding allocated funding to address their consents due to expire.</p>	We recommend monitoring compliance with the drinking water regulations during implementation.

Council summary information

Summary information	Level
Current serviced population	143,994
Drinking water connections	53,996
Wastewater connections	51,427
Stormwater connections	51,523
High growth council	No
10 year population growth	10.9%



Assets, network and compliance

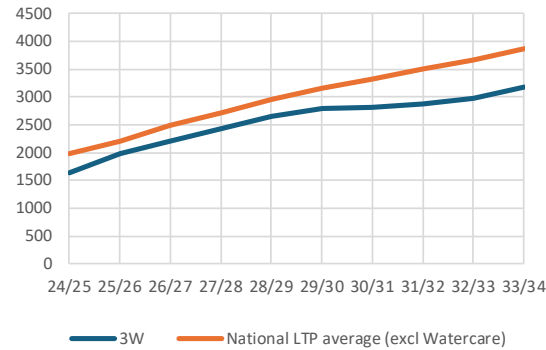
Asset measures	Year 1	Year 10	10 Year Average
Total assets per connection (\$)	36,822	50,635	44,207
Total debt per connection (\$)	6,800	13,323	10,585
Operating costs per connection (\$)	653	841	831
Age of network (years)	DW	WW	SW
Average age outlined in plan	43	40	54

Network performance	Level
Level of service performance measures achieved	78%
Water loss rate	N/A
Average consumption (litres per person per day)	439 - 662

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

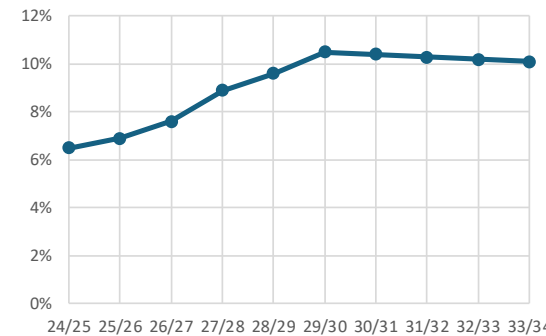
Affordability and growth

Water services charge compare to national LTP average



Financing

FFO to gross debt

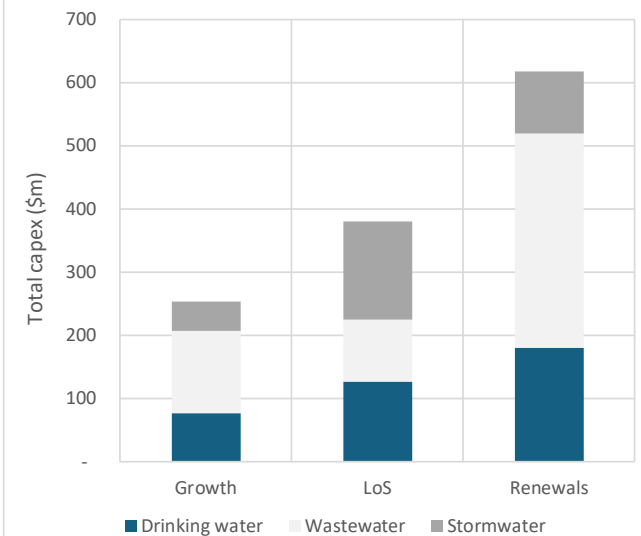


Capital expenditure	Category of capital expenditure			Total over 10 years
	Growth	Level of service	Renewals	
Drinking water	76,558	127,312	181,430	385,300
Wastewater	129,975	98,275	338,786	567,036
Stormwater	46,618	155,142	96,555	298,315
Total 10 years	253,151	380,729	616,771	1,250,651

Item	Year 1	Year 10	10 Year Average
Total charge as % of median income	1.90%	3.00%	2.62%
Annual price increase	N/A	7.30%	7.02%
DC collected per new connection (\$)	N/A	N/A	23,919

Item	Year 1	Year 10	10 Year Average
Water related net debt to operating revenue %	476%	498%	489%
FFO to debt	6.5%	10.1%	9.1%

Capex spend by type, 10 year total



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
Delivery model and implementation				
Financially sustainable water services provision	NCC, CHBDC and HDC conducted financial sustainability tests comprising of revenue sufficiency, investment sufficiency and financing sufficiency. Results from this testing, as set out in the Plan, confirm that the joint WSCCO will be able to deliver drinking water, wastewater and stormwater services in a financially sustainable manner by 30 June 2028.	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.	Meets requirements	N/A
The proposed model to deliver water services	Water services for the Councils' combined servicing area will be delivered by a joint WSCCO. The joint WSCCO will own all water services (drinking water, wastewater, and urban stormwater) infrastructure and assets. The proposed joint WSCCO is expected to deliver significant benefits to the communities of all the participating Councils, including cost efficiency, shared expertise, enhanced resilience, improved investment capability and regulatory compliance.	The proposed model for the delivery of water services is clearly defined, with the three Councils transitioning from their current arrangements into the WSCCO from 1 July 2027. Governance is appropriately addressed in the Plan, and a Heads of Agreement has been referenced. The organisational structure of the proposed WSCCO meets the requirements of the Local Government (Water Services) Act 2025.	Meets requirements	N/A

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Implementing the proposed service delivery model	<p>Implementing the joint WSCCO model is proposed through four project stages. These are expanded on below but comprise of a pre-establishment phase, establishment phase, transitional phase, and then concluding with an ongoing operational phase.</p> <p>Pre-Establishment Phase – Now to 3 September 2025</p> <p>Participating Councils agree to and enter into a Heads of Agreement. The agreement outlines proposed arrangements for:</p> <ul style="list-style-type: none"> • Initial shareholding amounts; • Initial governance structure; • Voting rights; and • Reserved matters and resolutions. <p>Establishment Phase – 3 September 2025 to 1 July 2026</p> <p>To establish the proposed WSCCO a dedicated governance and project team will be put in place.</p> <p>The Transitional Governance Group (TGG) will consist of the mayor and one other appointee from each member council of NCC, CHBDC and HDC. The immediate focus of the TGG will be to appoint the Establishment Board that will have the responsibility of governing the establishment phase of the WSCCO.</p>	<p>The implementation plan includes all the information required in 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
	<p>Transitional Phase – 1 July 2026 to 1 July 2027</p> <p><i>Transitional Phase Key Workstreams</i></p> <ul style="list-style-type: none"> • Identify asset and liability transfers. Legal and financial identification of assets to be moved to the new organisation; • Identify people and workforce; • Financial integration and separation from parent Councils; • Systems and technology integration; and • Enter required shared service arrangements. 			

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Consultation and engagement undertaken	<p>At the time of formal consultation, the four territorial authorities of Hawke’s Bay consulted in parallel, and all indicated the preferred option of a joint WSCCO owned by WDC, CHBDC, HDC, and NCC. WDC subsequently resolved to withdraw from the joint WSCCO pathway.</p> <p><u>HDC</u></p> <p>Over 1,000 submissions were received from Hastings residents, 83% of which expressed support for the preferred option of forming a joint WSCCO. A total of 17% of submitters opposed the preferred option; made up of 4.7% who favoured an HDC-only CCO, 10.3% who favoured in-house delivery, and 2% who did not select a preferred option.</p> <p><u>NCC</u></p> <p>A total of 666 submissions were received. 79% of submitters preferred option one of forming a joint WSCCO, 3.3% of submitters preferred an NCC-only CCO, 6.5% preferred in-house delivery, 7.8% did not support option one (joint WSCCO) but did not indicate their preferred option, and 3% of submitters did not indicate a preferred option at all.</p> <p><u>CHBDC</u></p> <p>A total of 208 submissions were received. 49% preferred option one of forming a joint WSCCO, 11% of submitters preferred forming an CHBDC-only WSCCO, 27% preferred in-house delivery, and 13% of submitters did not indicate a preferred option. Of the submitters who did express a preference, 56% preferred a joint WSCCO, 13% preferred an CHBDC-only CCO, and 31% preferred in-house delivery.</p>	Consultation was in accordance with sections 61 to 64 of the Preliminary Arrangements Act.	Meets requirements	N/A
Assurance and adoption of the Plan				
Council resolution to adopt the Plan	NCC, CHBDC and HDC adopted the joint Plan on 28 August 2025.	N/A	Meets requirements	N/A

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Certification of the Chief Executives of NCC, CHBDC and HDC	The Chief Executives of NCC, CHBDC and HDC certified the Plan on 2 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
Investment required in water services				
Serviced population and serviced areas	<p>The Hawke’s Bay WSCCO will be responsible for a current serviced population of 144,000 with 52,000 residential connections, and 5,000 non-residential connections.</p> <ul style="list-style-type: none"> • 15 drinking water schemes; • Seven wastewater schemes; and • 15 main stormwater catchments. <p>Of the 36 performance measures, 17 were met in 2023/24.</p>	<p>The Hawke’s Bay is predicting 11% growth in resident numbers over the next 10 years.</p> <p>Comprehensive information is supplied on serviced areas, connections, growth and LOS performance measures.</p>	Meets requirements	N/A
Assessment of the current condition and lifespan of the water services network	<p>Assets have an average age of 39-54 years.</p> <p>Detailed breakdown of backlog is provided.</p> <p>Condition information is 41% -49% for above ground assets, and 100% for below ground assets.</p> <p>6% - 27% of assets are in poor or very poor condition</p>	<p>Condition and criticality information is used to plan renewals programme.</p> <p>Capex focuses on renewals based on condition information, especially for NCC and HDC drinking water.</p> <p>Existing condition information is suitable for planned 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
Asset management approach	<p>The Plan states that an asset management policy, strategic asset management plan, and AMPs are to be developed by the WSCCO.</p> <p>Currently there is a mix of internal and external contracts for operations, planning, professional services and project delivery. These are listed by Council.</p> <p>Asset management maturity assessment details are provided for all three Councils.</p> <p>Asset management information systems are identified.</p>	<p>Limited information is provided on future asset management process, and limited commentary is provided on how asset management will support the proposed model. This does not limit the Secretary's ability to accept the Plan.</p> <p>The Plan states the need to bring together the Councils' different approaches under the new WSCCO.</p>	Meets requirements	N/A
Statement of regulatory compliance	<p>HDC is fully compliant with the exception of Portsmouth Water Treatment Plant, which is an emergency supply for the Hastings urban water supply.</p> <p>CHBDC is not compliant for E. coli and not compliant for chemical. CHBDC has three non-compliant supplies for protozoa and previously had five boil water notices in the past three years.</p> <p>NCC is compliant for E. coli and not compliant for protozoa. NCC has no boil water notices.</p> <p>Water usage:</p> <ul style="list-style-type: none"> • CHBDC: 439l/p/d (30% of residents have water meters but are only charged for excessive use); • NCC: 500l/p/d; and • HDC: 662l/p/d. <p>Drinking water:</p> <ul style="list-style-type: none"> • HDC has 13 significant consents (seven operating under section 124 of the RMA), seven due to expire, and three active applications. 	<p>HDC – Portsmouth WTP non-compliant as cannot meet contact time for chlorination. Note this bore is now only an emergency supply site. UV treatment is being added in 2025 which will achieve compliance.</p> <p>CHBDC has non-compliances related to Supervisory Control and Data Acquisition and reporting rather than barriers. Additional information was requested from CHBDC, and they have confirmed that all but one of the non-compliances were due to data loss and a programme to improve this has been allocated. The other non-compliance (Pōrangahau) has had a UV upgrade to achieve compliance.</p> <p>An explanation regarding the CHBDC boil water notices has also been provided. Construction is underway to address the third of three recent boil water notices, and no boil water notices are currently in place.</p> <p>Additional information has also been provided for NCC's projects to address DWQAR non-compliances.</p> <p>CHBDC provided additional information regarding</p>	Meets requirements	Yes

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
	<ul style="list-style-type: none"> • CHBDC has seven significant consents, four due to expire, and no active applications. • NCC has one significant consent, and one due to expire. <p>Wastewater:</p> <ul style="list-style-type: none"> • HDC has three significant consents, one due to expire, one active application, and one conviction. • CHBDC has five significant consents (two operating under section 124 of the RMA), two due to expire, and two active applications. • NCC has one significant consent. <p>Stormwater:</p> <ul style="list-style-type: none"> • HDC has eight significant consents (four operating under section 124 of the RMA), 11 due to expire, and one active application. • CHBDC has nine significant consents, no consents due to expire, and no active applications. • NCC has six significant consents (two operating under section 124 of the RMA), two due to expire, and two active applications. <p>HDC’s conviction is explained.</p> <ul style="list-style-type: none"> • The stormwater network consent application for HDC will address the consents due to expire. 	<p>allocated funding to address their consents due to expire.</p> <p>CHBDC is not meeting consent compliance on one or more schemes but have provided commentary confirming that budget(s) are provided in the investment Plan to meet compliance.</p> <p>We recommend monitoring compliance with the drinking water regulations during implementation.</p>		

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Capital expenditure required to deliver water services and ensure that water services comply with regulatory requirements	<p>Breakdown of capex is provided.</p> <p>Total expenditure varies from \$93m (2030/31) to \$156m (2033/34).</p> <p>Wastewater is the majority of spend.</p> <p>Growth plan is identified through strategy documents.</p> <p>Renewals planning process is identified.</p>	<p>The Plan includes sufficient investment to achieve compliance, LOS and enable growth. Renewals are appropriate given the age profile of the portfolio.</p> <p>We note there is significant capex in ‘miscellaneous’ lines. This has been clarified by the Councils, confirming this is made up of smaller projects, which are individually not considered ‘significant’.</p>	Meets requirements	N/A
Historical delivery against Planned investment	<p>CHBDC - Average renewals delivery of 47% over previous three periods, 74% of total water investment.</p> <p>NCC - Average renewals delivery of 147% over previous three periods, 86% of total water investment.</p> <p>HDC - Average renewals delivery of 95% over previous three periods, 105% of total water investment.</p>	<p>Delivery of the capex has been mixed in previous years across the Councils.</p> <p>The impact of Cyclone Gabrielle on all of Council capital delivery has impacted the Councils’ focus on water capex delivery.</p> <p>It is noted that the Plan has reduced capex delivery by 20% compared to the LTP, but it remains substantial at an average of \$120m per year across three Councils.</p> <p>NCC has indicated it is now putting in place a stronger water planning function, prior to establishment of the WSCCO.</p> <p>Additional information was requested from the Councils. They responded with an outline of the mechanisms to enhance delivery.</p> <p>We recommend the capital programme delivery is monitored during implementation.</p>	Meets requirements	Yes

Assessment Report: Part C – Revenue and financing arrangements

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Revenue and charging arrangements				
Charging and billing arrangements	<p>The current charging and billing arrangements for residential and non-residential customers in NCC, CHBDC and HDC have been detailed in the Plan.</p> <p>After 1 July 2026 the Councils will charge and collect revenue on behalf of the WSCCO, until such time that the WSCCO determines charges and collects revenue (likely two to three years). At this point the Councils may continue to collect revenue on behalf of the WSCCO on the basis that:</p> <ul style="list-style-type: none"> • The WSCCO will work within the Water Services Strategy and CCO Development Contributions Policy (or Council policy until the CCO policy is established) to outline the revenue pathway and charging transitions; • The WSCCO will set water charges (with charging based on capital or land value to cease post 1 July 2029); and • The WSCCO will start to set up and transition to its own billing system. 	<p>The Councils have provided sufficient data on charging and billing arrangements.</p> <p>We note that HDC currently applies capital value general rates for some water charges and that this will be phased out by 1 July 2029.</p> <p>We recommend monitoring HDC'S billing arrangements during implementation.</p>	Meets requirements	Yes
Water services revenue requirements and sources	<p>The Plan indicates that for the first three years the WSCCO will retain the existing charging models of each Council, before transitioning to a harmonised charging model that run by the WSCCO.</p>	<p>Water services revenue requirements and sources are outlined in the Plan.</p>	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel																								
<p>Existing and projected commercial and industrial users' charges</p>	<p>The current charging and billing arrangements for non-residential customers in NDC, CHBDC and HDC have been detailed in the Plan. They are mainly volumetric charges and trade waste fees.</p> <p>Projected charges for non-residential customers are not separately identified in the Plan.</p>	<p>Existing commercial and industrial users' charges are outlined in the Plan.</p>	<p>Meets requirements</p>	<p>N/A</p>																								
<p>The affordability of projected water services charges for communities</p>	<p>The Plan sets out the details of water service charges and affordability as a percentage of household income for each Council, and an average across the Councils.</p> <p>The average in 2024/25 is 1.9% and rises to 3.0% in 2033/34. This average is inflated by CHBDC, which is 4.4% in 2024/25 rising to 6.5% by 2033/34.</p> <table border="1" data-bbox="398 794 996 1034"> <thead> <tr> <th>Affordability</th> <th>2024</th> <th>2034</th> <th>2034</th> </tr> </thead> <tbody> <tr> <td></td> <td>%</td> <td>%</td> <td>\$ incl. GST</td> </tr> <tr> <td>HDC</td> <td>2.3</td> <td>2.8</td> <td>2,900</td> </tr> <tr> <td>NCC</td> <td>1.5</td> <td>2.7</td> <td>2,800</td> </tr> <tr> <td>CHBDC</td> <td>4.4</td> <td>6.5</td> <td>6,100</td> </tr> <tr> <td>Combined</td> <td>1.9</td> <td>3.0</td> <td>3,190</td> </tr> </tbody> </table>	Affordability	2024	2034	2034		%	%	\$ incl. GST	HDC	2.3	2.8	2,900	NCC	1.5	2.7	2,800	CHBDC	4.4	6.5	6,100	Combined	1.9	3.0	3,190	<p>Affordability over the 10 years rises from 1.9% to 3.0%, roughly aligning to the guidance provided by the Department of 2.5% of median household income.</p> <p>We note that CHBDC identified affordability as a key concern, and provided an alternative capex plan to reduce capex by \$70m and affordability to 4.9% in year 10. However, CHBDC's alternative capex plan lacks details to confirm that overall compliance can be met with the reduced capex.</p> <p>We recommend that CHBDC's affordability is monitored during implementation.</p>	<p>Meets requirements</p>	<p>Yes</p>
Affordability	2024	2034	2034																									
	%	%	\$ incl. GST																									
HDC	2.3	2.8	2,900																									
NCC	1.5	2.7	2,800																									
CHBDC	4.4	6.5	6,100																									
Combined	1.9	3.0	3,190																									

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Funding and financing arrangements				
Water services financing requirements and sources	<p>The Plan identifies opening debt by Council and by water activity, to disclose the projected borrowing requirements for combined water supply from year one to 10.</p> <p>Net debt is \$391m in 2024/25 and increases to \$863m in 2033/34.</p> <p>The Plan shows the WSCCO operating close to 500% net debt to operating revenue, excluding the Development Contribution revenue threshold, throughout the Plan.</p>	Water services financing requirements and sources are provided in the Plan.	Meets requirements	N/A
Internal borrowing arrangements	The Councils have assumed that any existing internal debt within the member Councils will transfer to the WSCCO. Therefore, there are no internal borrowing arrangements.	The WSCCO will be independently funded with some internal borrowing arrangements during establishment and repaid once the WSCCO is operational.	Meets requirements	N/A
Determination of debt attributed to water services	<p>Existing financial information systems are set up to report on three waters activities separately at each Council. The Plan includes baseline debt balances for each Council prior to adjustments for period before transfer to the WSCCO as:</p> <ul style="list-style-type: none"> • NCC: \$40.2m • HDC: \$220.1m • CHBDC: \$46.4m <p>Drinking water total debt is \$162.2m, wastewater total debt is \$105.1m, and stormwater total debt is \$39.3m.</p>	The Plan outlines the principles agreed and current debt position of water related debt for each council.	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p>Insurance arrangements</p>	<p>The Plan confirms the WSCCO will confirm the necessary insurance arrangements. Currently each Council has different insurance policies:</p> <ul style="list-style-type: none"> • HDC is insured by AON and is a member of the LAPP insurance group; • NCC has above ground assets insured by AON and below ground assets insured under the Hawke’s Bay Group Material Damage Policy; and • CHBDC is insured by AON and is part of the Manawatū/Whanganui/Hawke’s Bay grouping for below ground water assets and part of the Hawke's Bay grouping for above ground water assets. <p>The current insurance arrangements for each member Council will continue until assets are transferred to the WSCCO.</p>	<p>The Plan outlines in detail the current policy details, risk assessments and insurance cover by asset class.</p>	<p>Meets requirements</p>	<p>N/A</p>

Assessment Report: Part D – Financial sustainability assessment

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Financially sustainable water services provision				
Confirmation of financially sustainable delivery of water services by 30 June 2028	The Councils state that the revenue, investment and financing sufficiency tests are met by 2027/28. Revenue sufficiency and financing sufficiency are met in 2027/28; however, investment sufficiency is met from the WSCCO in 2026/27.	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.	Meets requirements	N/A
Actions required to achieve financially sustainable delivery of water services	Financial modelling indicates that projected revenues are sufficient to fund the operational expenditure and to support the planned investment programme. The capital investment plan is funded through a combination of development contributions, operating surpluses (i.e. funded depreciation), and new debt.	We note the Plan states there is an opportunity to refine the balance between revenue, debt, and investment timing. This may reduce the reliance on new borrowing or improve affordability outcomes for consumers, while still maintaining service levels and financial sustainability.	Meets requirements	N/A
Risks and constraints to achieving financially sustainable delivery of water services	Key risks identified are affordability, deferred investment, natural disasters, communication and public understanding and inflationary pressure. Mitigations are identified for each of these risks. This includes the creation of an independent board, collective policy and strategy documents, and regular review cycles amongst various other procedures.	The risks and mitigations are identified and discussed fairly in the Plan.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Assessment of revenue sufficiency				
Projected water services revenues cover the projected costs of delivering water services	The projected water services revenues cover the projected costs of delivering water services.	The proposed revenue path does not fully cover depreciation; however, this is mitigated by operating cash surpluses.	Meets requirements	N/A
Average projected charges for water services over 2024/25 to 2033/34	<p>There is a relatively high average charge increase in 2025/26 of 20.2%, followed by increases of 11.4% and 10.7% in subsequent years, before these increases taper off and stay below 10% for the remainder of the Plan. There is a particularly low increase in 2030/31 of 0.7%.</p> <p>The projected average charge per connection has been calculated based on revenue required (driven by the capital expenditure programme and operating costs) to meet the FFO to debt ratio.</p> <p>The Plan states the Councils are likely to outline affordability issues for their ratepayers in the Statement of Expectations to the WSCCO Board, and likely options for the Board to consider include price harmonisation at a future date.</p>	<p>The average projected charges for water services rises over the 10 years from \$1,642 to \$3,190 in 2033/34, a 94% increase.</p> <p>We note the Plan states there is scope for the WSCCO to review charges to establish a transition pathway to harmonised pricing.</p>	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p>Projected operating surpluses/(deficits) for water services</p>	<p>The Plan outlines a negative operating surplus ratio for the duration of the Plan. This begins as a large deficit of 45.4% that decreases to a deficit of 4% by 2033/34.</p>	<p>The deficit is driven by high depreciation charges for the net book value and represents about 42% of total expenses.</p> <p>The Plan shows the projected operating deficits for water services reduce from \$37.3m to \$6.8m over the 10 years due to high depreciation charges with water charges not fully recovering depreciation. This is offset by an increasing asset consumption ratio across the 10-year period reflecting \$1.25 billion of investment.</p>	<p>Meets requirements</p>	<p>N/A</p>
<p>Projected operating cash surpluses for water services</p>	<p>The operating cash ratio for the duration of the Plan shows a 34.4% ratio in year one, improving to 62.9% in year 10.</p>	<p>The Plan has projected operating cash surpluses for water services every year, starting at \$28.3m and increasing to \$108.9m in year 10.</p> <p>The operating cash ratio shows that water service charges are set at a level sufficient to fund all operating costs including interest, with surplus cash available for reinvestment in the network.</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
Assessment of investment sufficiency				
Projected water services investment is sufficient to meet levels of service, regulatory requirements and provide for growth	<p>The proposed investment programme is designed to meet the agreed LOS, comply with current and anticipated regulatory requirements, and provide capacity for projected growth.</p> <p>The programme is based on the Councils' LTPs reduced by 20%, with adjustments to reflect historic delivery performance and affordability considerations.</p> <p>Financial modelling has resulted in significant adjustments to NCC's capital programme compared to its published LTP.</p>	<p>The Plan describes sufficient investment to meet requirements of LOS, renewals and enable growth.</p> <p>The proposed water services investment is \$1.25b over 10 years (more than double depreciation), and sufficient to meet LOS, regulatory requirements and provide for growth</p> <p>The asset consumption ratio increases from 53% to 76.3%.</p>	Meets requirements	N/A
Renewals requirements for water services	<p>The proposed renewals investment programme has been developed from the member councils' AMPs and LTPs, with adjustments in the regional modelling to address historic underinvestment, critical asset condition risks, and regulatory compliance priorities. The phasing of renewals reflects the strategic direction in each Council's long term infrastructure strategy.</p>	<p>The Plan describes sufficient investment is sufficient to meet requirements of LOS, renewals and enable growth.</p>	Meets requirements	N/A
Total water services investment required over 10 years	<p>The asset investment ratio remains well above 100% in the first five years, peaking at 154.9% in 2026/27 as the WSCCO addresses renewals backlogs and undertakes major compliance and growth projects.</p> <p>The proposed capital investment levels are based on the councils' AMPs and LTPs, consolidated and adjusted in the regional modelling to reflect historic delivery performance, affordability, and project phasing.</p>	<p>This investment profile generally aligns with the LTP budgets, with an explanation for the NCC variance. It is consistent with the investment priorities identified.</p> <p>The asset investment averages 101% over the 10 years. This indicates the asset investment is sufficient to maintain the network.</p>	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Average remaining useful life of network assets	There is a significant increasing asset consumption ratio. The average asset life ranges from 53% - 76%, and the remaining asset life is increasing due to expenditure on renewals.	The investment in renewals and LOS over the 10-year period results in an increase in the average asset life.	Meets requirements	N/A
Assessment of financing sufficiency				
Confirmation that sufficient funding and financing can be secured to deliver water services	The funding and financing arrangements for the joint WSCCO are sufficient to meet the planned investment requirements.	The Plan confirms sufficient funding and financing can be secured to deliver water services.	Meets requirements	N/A
Projected council borrowings against borrowing limits	The 2023/24 net debt to revenue is: <ul style="list-style-type: none"> • CHBDC: 52% versus 175% LGFA limit; • HDC 125.7% versus 250% LGFA limit; and • NCC 11.9% versus 175% LGFA limit. 	Sufficient information has been provided in the Plan to show that none of the Councils approach their respective borrowing limits, and large borrowing headroom increases after the transfer of water debt and revenues.	Meets requirements	N/A
Projected water services borrowings against borrowing limits	The Plan provides an indication of net debt to revenue compared to a 500% limit and shows it stays close to 500% across the 10 years.	The WSCCO meets all the LGFA ratios with strong surplus operating cash flows. There is an 8% FFO to debt ratio from 2027/28 which improves to 10.1% in 2033/34.	Meets requirements	N/A
Projected borrowings for water services	Debt increases from \$391.5m to \$863.3m over the 10 years of the Plan.	Projected borrowings for water services are \$863.3m over 10 years. The financial modelling discloses movements in debt across the Plan by water activity.	Meets requirements	N/A
Borrowing headroom/(shortfall) for water services	Headroom increases across the Plan as surplus cash flow increases.	Forecasts indicate from 2027/28 onward there is increasing headroom as the FFO increases above the 8% threshold.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Free funds from operations	<p>The FFO to debt ratio sits at 6.5% in 2024/25, then rises to 10.5% in 2029/30 before plateauing at around 10.1% for the remainder of the Plan. The 8% minimum covenant set by the LGFA is achieved from 2027/28 onwards.</p> <p>The Plan includes sensitivity testing of the FFO calculation, excluding Development Contribution revenue. This shows the 8% minimum threshold is reached in 2029/30 (within LGFA guidelines) to reach compliance and is then maintained for the remainder of the Plan. This provides confidence that even under a worst-case growth outturn there would be no ratio breaches.</p>	Forecast FFO ratios indicate there is adequate cash flow above the required 8% to service debt, contribute to liquidity and headroom, and meet the proposed investments.	Meets requirements	N/A
Assessment of financing sufficiency	The funding and financing arrangements for the joint WSCCO are sufficient to meet the planned investment requirements.	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
Projected funding impact statement	Project funding impact statement is provided for all three waters.	Sufficient information has been provided.	N/A
Projected statement of comprehensive revenue and expense	Comprehensive revenue and expense statement is provided for all three waters.	Sufficient information has been provided.	N/A
Projected statement of cashflows	Cashflow statement is provided for all three waters.	Sufficient information has been provided.	N/A
Projected statement of financial position	Statement of financial position is provided for all three waters.	Sufficient information has been provided.	N/A

Assessment Report: Part E – Financial projections and measures

Projected statement of comprehensive revenue and expense

Water Services Delivery Plan pages 103 - 106

Projected statement of financial position

Water Services Delivery Plan pages 111 - 114

Financial measures: revenue sufficiency

Water Services Delivery Plan pages 83 - 86

Financial measures: investment sufficiency

Water Services Delivery Plan pages 87 - 91

Financial measures: financing sufficiency

Water Services Delivery Plan pages 92 - 97

Assessment Report: Water Service Delivery Plan – Additional information

Additional information	Summary of content in Plan	Assessment Review Comment	Focus for Panel
<p>Additional disclosures to support Plan</p>	<p>There is further commentary on an alternative capex delivery profile for CHBDC in Appendix 2. This does not form part of the joint Plan. This commentary provides context to the alternative option by stating that, after the WSDP submission, CHBDC officers have continued work preparing a reduced capital delivery program with the view of reducing the rating burden on future ratepayers. This came about because of feedback from community consultation stating that the projected price path as described in the consultation document submission remained unaffordable, even with the efficiencies outlined in the model.</p> <p>Disclosed within Appendix 2 is a set of principles that were used to guide the development of this alternative plan. These are:</p> <ul style="list-style-type: none"> • Drinking water compliance will not be compromised; • Wastewater discharge investment is minimised; • Network resilience is deprioritised; • Growth investment is a ‘just in time’ approach; and • Addressing historic underinvestment is slowed, but not stopped. 	<p>Given the described timeframes, this appendix is presented as the most recent CHBDC capital delivery programme. However, this is not part of the joint Plan.</p> <p>While this alternative capex delivery plan does not form part of the joint Plan, we have recommended that the capital delivery plan and the affordability of charges for CHBDC will be monitored during implementation.</p>	<p>N/A</p>
<p>Significant capital projects</p>	<p>The Plan lists significant capital projects for drinking water, wastewater and stormwater.</p>	<p>Additional information noted.</p>	<p>N/A</p>

Sensitivity: General

Key issues, constraints, risks and assumptions	The Plan outlines the key risks and assumptions made by the WSCCO member Councils for drinking water, wastewater and stormwater.	Additional information noted.	N/A
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