

Water Services Delivery Plan Assessment

Assessment Report – Invercargill City 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
Council-controlled organisation	CCO
Department of Internal Affairs	Department
Funds from operations	FFO
In-house business unit	IBU
Invercargill City Council	ICC
International Infrastructure Management Manual	IIMM
Level of Service	LOS
Local Government Funding Agency	LGFA
Local Government (Water Services Preliminary Arrangements) Act 2024	Preliminary Arrangements Act
Long-term plan	LTP
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
Councils involved in plan	Invercargill City Council.
Number of connections	21,094 rising to 23,070 Water Connections by 2034.
DIA comment on council engagement during Plan development process	<ul style="list-style-type: none"> • ICC was involved in initial discussions with the Southland-Otago grouping consisting of Invercargill, Southland, Gore, Clutha Dunedin, Central Otago, Waitaki, and Queenstown- Lakes councils. A working group was tasked with assessing the merits of this regional grouping and providing advice to elected members. The report from the group indicated there are significant benefits to regional aggregation, particularly for the smaller, rural councils. • At the beginning of 2025, ICC resolved to pursue an IBU as the preferred option. Council’s decision making was informed by work completed by Morrison Low Advisory that considered the relative financial and non-financial merits of a range of different service delivery models. ICC also considered community views and preferences in reaching its decision.
Feedback provided to council prior to submission on Draft Plan	<ul style="list-style-type: none"> • On 27 June 2025, ICC provided a draft Plan to the Department for review. The Department responded on 11 July 2025 stating that the draft Plan appeared to meet the financial sustainability requirements, but a view on whole of council debt headroom was required to have a full view of financing sufficiency. Several other areas were noted across the plan where further detail could be added.
Engagement with council during review and assessment process	N/A
Other Background Comments	N/A

Assessment Summary

Section	Commentary
Confirmation of submission completeness checklist	Yes – all required components completed.
General Comment on Plan	The Plan demonstrates financial sustainability, with sufficient revenue to cover costs, and sufficient investment to meet relevant regulatory standards.
Financial Sustainability Comment	The Plan explains how the delivery of water services will be financially sustainable by 30 June 2028. We note ICC sets revenue to cover depreciation so there is no operating surplus. They have a low net debt for three waters, so this allows funding to be lower and relies on debt to phase in higher charges. The age of the infrastructure and the need for its renewal will challenge whether a balanced budget will be sufficient in the long-term, but it meets the current planning horizon. The risks and constraints to achieving financially sustainable delivery of water services are outlined.
Revenue Sufficiency	The average charge per connection including GST rises from \$1,965 in 2025/26 to \$3,244 in 2033/34, a cumulative increase of 65% over the eight remaining years of the plan. ICC has cash surpluses every year for operations, but it does not fund the activity for accounting surpluses, cash surpluses are equal to depreciation, therefore the operating surplus is nil every year from 2027/28 onwards. We also note the operating costs relative to the replacement value of the asset is quite low, at 1.2% rising to 1.9%. Affordability compared to median household income rises from 2.1% in the current year to 2.8% by 2033/34, the increase is by 10 basis points each year.
Investment Sufficiency	The level of investment is sufficient to meet LOS, resilience, and regulatory commitments and growth will be accommodated via capacity and renewal investment. Renewals are planned but are lower than projected depreciation in the first three years, then above depreciation for most of the remaining period with the plan to smooth this out over time. The total water investment is dominated by LOS and renewals projected to outpace asset deterioration and depreciation. It is consistent with the asset management plan and infrastructure strategy. Financial benchmarks show the asset consumption ratio rising from 43.9% to 52.7% by 2034, indicating an increase in the average remaining useful life of network assets.
Financing Sufficiency	Sufficient financing and funding is available for the period of the plan. Projected borrowings increase from \$19m to \$283m and remain within LGFA whole of council borrowing limits and an internal water services limit of 500%. We note that ICC net debt to revenue ratio peaks around 200% in 2033/34. Projected water services net debt peaks at 414% in 2033/34. ICC maintains adequate headroom and has the capacity to allocate a debt ratio above 500% due to the headroom available at the whole of council level. ICC has a low opening debt for three waters which means the FFO ratio starts at 95% and falls to 10.7% over the 10 years.

Section	Commentary
<i>Overall assessment recommendation</i>	The overall recommendation from the assessment phase is to accept the plan from ICC.

Issues for discussion with Panel

Issue	Description	Recommended treatment
N/A	N/A	N/A

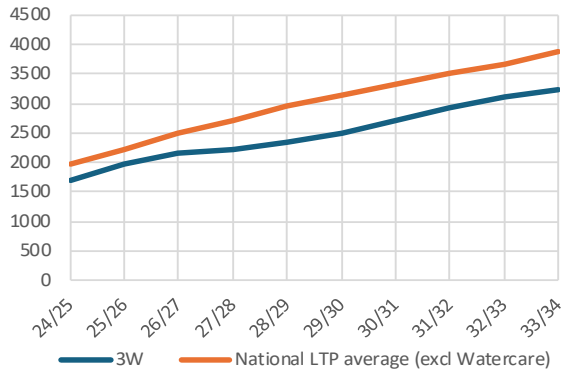
Council summary information

Summary information	Level
Current population	48,561
Drinking water connector	22,647
Wastewater connections	23,971
Stormwater connections	22,934
High growth council	No
10 year population growth	9.4%



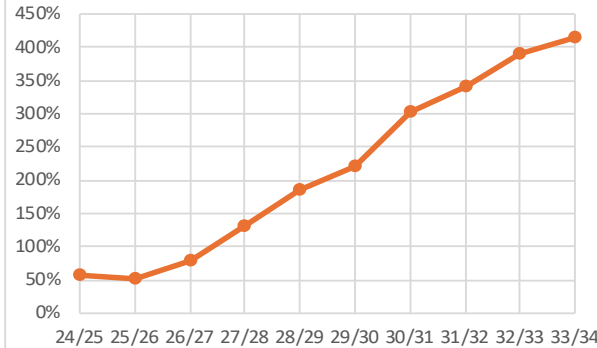
Affordability and growth

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	1.90%	2.80%	2.38%
Annual price increase	N/A	4.80%	8.62%
DC collected per new connection (\$)	NA	NA	0

Item	Year 1	Year 10	10 Year Average
Water related net debt to operating revenue %	58%	414%	217%
FFO to debt	94.9%	10.7%	40.8%
Whole of Council net debt to revenue (approx)	80%	200%	150%

Assets, network and compliance

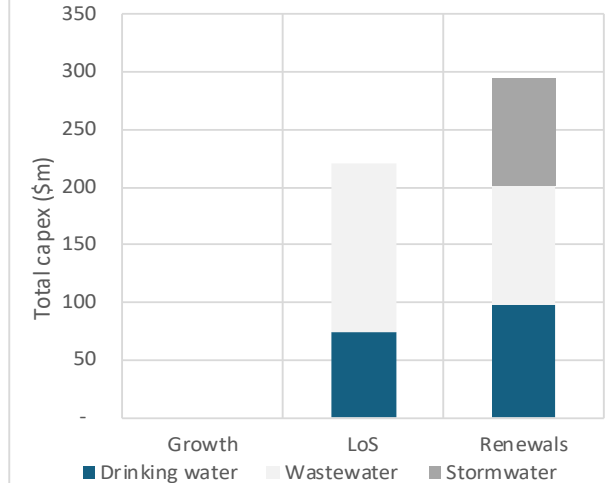
Asset measures	Year 1	Year 10	10 Year Average
Total assets per connection (\$)	28,922	42,831	34,649
Total debt per connection (\$)	845	11,430	5,107
Operating costs per connection (\$)	621	868	753
Age of network (years)	DW	WW	SW
Average age outlined in plan	56	62	59

Network performance	Level
Level of service performance measures achieved	100%
Water loss rate (litres per day)	63
Average consumption (litres per person per day)	210

Compliance addressed in WSDP	Level
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	-	73,449	98,115	171,564
Wastewater	-	147,141	103,346	250,487
Stormwater	-	-	92,442	92,442
Total 10 years	-	220,590	293,903	514,493

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	ICC confirms that it will be financially sustainable by 30 June 2028.	<p>The plan explains how the delivery of water services will be financially sustainable by 30 June 2028.</p> <p>We note ICC sets revenue to cover depreciation so there is no operating surplus. They have a low net debt for three waters, so this allows funding to be lower and relies on debt to smooth the phase in of higher charges.</p>	Meets Requirements	N/A

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p>The proposed model to deliver water services</p>	<p>Water services will be provided in-house through a newly established IBU, providing organisational separation, financial ring-fencing, and a new governance committee structure. The IBU is to provide service delivery, infrastructure investment, and regulatory compliance. Accounting processes will create a separate financial entity for water services with oversight of priorities, investment programmes, and compliance. Where known, legislative costs will be incorporated into financial planning and provision will be made for future regulatory cost adjustments.</p> <p>Planned actions to meet regulatory requirements:</p> <ul style="list-style-type: none"> • Appointment of a new General Manager – Water Services • Establishment of a dedicated Council Committee with an independent technical expert • Staff training and retention programme for Water Services • Transition project team to deliver organisational change <p>ICC remains open to district/regional collaboration or shared services where efficiency gains can be demonstrated.</p>	<p>The proposal for an in-house model to deliver water services is clear with a transition from the current arrangements to be established by 30 June 2027.</p> <p>The organisation structure will change to support the IBU with dedicated water leadership roles and a council committee with an independent technical expert.</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
Implementing the proposed service delivery model	<p>ICC will continue delivering water services independently via an IBU, which meets legislative financial sustainability requirements. A set of strategic objectives have been defined to inform and guide the setup and operation of the Unit.</p> <p>Key Implementation Milestones</p> <p>By 31 December 2025:</p> <ul style="list-style-type: none"> • Appoint General Manager Water Services • Establish Water Services team (financial, regulatory, people advisory) <p>By 30 June 2026:</p> <ul style="list-style-type: none"> • Develop Organisational Transition Plan • Transition to Internal Water Service Business Unit Structure (including staff transition) • Establish dedicated Water Services Financial system within Council Financial Group <p>By 30 June 2027:</p> <ul style="list-style-type: none"> • Develop and implement Water Services governance framework • Implement financial ringfencing system and process changes • Finalise contracts for support services with Council and other entities • Implement new Stormwater Rate approach (transition from part general rate funding) • Develop independent Water Services Strategy (three-year refresh cycle) 	<p>The implementation plan is high level but 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
Consultation and engagement undertaken	<p>ICC used the alternative consultation and decision-making requirements under the Preliminary Arrangements Act.</p> <p>ICC's Infrastructure and Projects Committee selected three options for consultation:</p> <ul style="list-style-type: none"> • Option 1: Council Operated Enhanced Service • Option 2: ICC CCO • Option 3: Southland-Wide CCO <p>Organisation with phased pricing Option 1 was identified as the ICC's preferred option (or proposal).</p> <p>Consultation Timeline: Public consultation ran from 13 March to 13 April 2025 with hearings on 29 April and 30 April 2025.</p> <p>Key Consultation Outcomes:</p> <p>A total of 188 submissions were received:</p> <ul style="list-style-type: none"> • 75% (141 submissions) supported Option 1: Council Operated Enhanced Service. • 14% (26 submissions) supported Option 2: ICC CCO. • 11% (21 submissions) supported Option 3: Southland-Wide CCO. <p>Postcard Submissions: Of the 28 postcard submissions: – 68% (19) were in favour of Option 1. – 11% (3) supported Option 2. – 21% (6) supported Option 3</p>	Consultation was in accordance with the Preliminary Arrangements Act.	Meets Requirements	N/A
Assurance and adoption of the plan				
Council resolution to adopt the Plan	ICC resolved to adopt the Water Services Delivery Plan on 26 August 2025.	N/A	Meets Requirements	N/A
Certification of the Chief Executive of Invercargill City Council	The Chief Executive certified the plan on 26 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
Investment required in water services				
Serviced population and serviced areas	The serviced population is projected to increase by circa 4,549 people over the next 10 years, with water connections growing at an annual rate of 1% and development remaining low density. Kennington and Ōtātara are not supplied with water services. Wastewater services cover a larger proportion of the city than other services, with rising residential and commercial demand. Stormwater services include drainage for Ōtātara. The report includes LOS targets for 2024/25, performance data, and mandatory performance measures from the LTP and Annual Plan, with relevant tables on serviced populations, unserviced populations, proposed growth areas, and connection rates.	Comprehensive information supplied on serviced areas, connections, and growth. The Plan includes the 2024/25 LOS and performance targets; it does not provide 2023/24 actuals. However, reviewing the 2023/24 annual report, all LOS and performance measures were met except for marginally exceeding the target for stormwater and wastewater customer complaints. Water loss has increased over the last 5 years, reported at 19% but remains within their target of 30%, with water consumption decreasing. A universal water metering programme is planned from 2026/27 to 2033/34.	Meets Requirements	N/A

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p>Assessment of the current condition and lifespan of the water services network</p>	<p>Water assets have an average age of 56 years, wastewater assets 62 years, and stormwater assets 59 years. Above-ground water assets are 90% assessed, with 60% graded above average; pipe condition ratings are not available. Rehabilitated cast iron pipes' remaining life is calculated from the rehabilitation date. All above-ground wastewater assets are rated, and 22% of wastewater pipes were CCTV inspected in 2021—48% of those inspected were found to be in less than average condition, compared to a previous desktop assessment rating 25% of the network as below average. For stormwater, only 9.5% of the network has been surveyed by CCTV; current inspections show 59% of this surveyed network is in less than average condition, up from a previous desktop assessment of 26%. The Condition and Lifespan Summary provides details but does not include a summary table for stormwater. Critical water and wastewater assets are noted.</p>	<p>Existing and future condition, and performance information is suitable to plan maintenance, renewals and capital and operating plan over the short term. Future CCTV assessments will validate results. Critical assets are identified. .</p>	<p>Meets Requirements</p>	<p>N/A</p>

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Asset management approach	Asset management follows IIMM guidance and benefits from retaining experienced staff. Systems in use include IPS, TechOne, ArcGIS, SCADA, Mike Urban, and other water and wastewater modelling tools. Activities are risk-based, factoring in climate and resilience risks, with inspections provided by the maintenance contractor. Investment is planned for three waters hydraulic models from 2025/26 onwards, prioritising renewal and upgrades of critical assets—especially for stormwater infiltration and ageing infrastructure. There is limited information and commentary on proposed service delivery mechanisms within the asset management context. The overall approach links to the LTP, Asset Management Policy, and Three Waters Asset Management Plan. Approaches for asset inventory, condition assessment, risk-based maintenance and renewal planning, hydraulic modelling, performance analysis, lifecycle management, long-term capital planning, regulatory compliance, public health protection, performance monitoring, and continuous improvement are described. An Asset Management IIMM maturity summary is included, set at ‘core’ level based on a 2017 self-assessment; no current assessment is provided.	Detailed information provided on asset management processes; limited commentary provided on how asset management will support proposed model. Strategic context analysed with risk management approach described.	Meets Requirements	N/A
Statement of regulatory compliance - drinking water	There have been zero boil water notices in the past three years and two water restrictions in 2022/23. Water supply is fluoridated, and firefighting capacity is sufficient. One significant consent has expired, with another due to expire within the next ten years. Plans for additional water supply and Level of Service improvements involve accessing a newly found Awarua aquifer, with an estimated cost of \$60m from 2027–2030 for treatment and distribution. The city currently maintains 100% compliance, and capital investment includes provision for the new water supply.	Meets compliance with drinking water standards and have budget in the investment plan to maintain compliance and respond to future compliance requirements.	Meets Requirements	N/A

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p>Statement of regulatory compliance – resource consents</p>	<p>Previous stormwater non-compliance noted due to the lack of significant treatment before discharge. An annual budget has been allocated for stormwater treatment improvements. A wastewater enforcement order and conviction occurred in 2019/20 for a sewer overflow, which has since been disconnected and sealed.</p> <p>There are two active resource consent applications for the discharge of treated wastewater from Bluff WTP to the marine environment, and two coastal consents are set to expire in December 2025.</p> <p>Two Stormwater k consents will expire within the next ten years. One stormwater consent is currently non-compliant. Eight wastewater consents expire within ten years. All wastewater consents are compliant. No expired consents operating under section 124 of the Resource Management Act 1991. Significant capital projects totalling \$103.7m are planned for Clifton and Bluff discharge upgrades. ICC has stated sufficient debt headroom to meet Bluff and Clifton consent wastewater standards.</p>	<p>Not meeting consent compliance in more than one scheme but the Plan provides commentary and confirmation of budgets in investment plan to meet compliance.</p>	<p>Meets Requirements</p>	<p>N/A</p>

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p>Capital expenditure required to deliver water services and ensure that water services comply with regulatory requirements</p>	<p>Capital expenditure benchmarks are detailed in the provided tables. ICC has confirmed sufficient financial headroom to comply with wastewater standards for Bluff (\$7.7m) and Clifton (\$103.7m) Despite projecting 1% growth, no new capital investment is allocated to meet additional demand for water, wastewater, or stormwater over the next ten years, and no LOS improvements are planned for stormwater.</p> <p>Expenditure is primarily focused on asset replacement, with ICC stating there is adequate capacity to meet anticipated demand growth within existing infrastructure.</p> <p>Planned investment exceeds depreciation, and a significant resilience improvement for a new water supply is budgeted at \$60m, funded through debt. Depreciation funding currently stands at 100% for water, 80% for wastewater and stormwater, with full funding targeted by 2028. Revenue is sufficient to cover depreciation.</p> <p>Aggregated capital expenditure tables are provided, alongside itemised significant projects, water services investment, and revenue/expense details.</p>	<p>Plan includes sufficient investment to achieve compliance and LOS. There is no funding for growth as the anticipated 1% growth is to be provided via existing network and capacity planning. Renewals are appropriate.</p>	<p>Meets Requirements</p>	<p>N/A</p>
<p>Historical delivery against planned investment</p>	<p>ICC has adopted a business case approach for strategic projects to support informed decision-making and established a Project Management Office in 2020 to oversee their delivery. An in-house Engineering Services Team is responsible for the design and implementation of the renewals programme. Renewals deliverability is estimated at 80% in Year One, rising to 90% by Year Three and maintained thereafter, with current delivery at 71%. Delivery performance against planned investment is detailed in the Plan.</p>	<p>The investment plan is deliverable as it is similar to historic levels and ICC has demonstrated additional design and project management resources that are available to deliver the capital programme.</p>	<p>Meets requirements</p>	<p>N/A</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
Revenue and charging arrangements				
Charging and billing arrangements	<p>Currently ICC has volumetric charging for 1,265 properties used for large commercial/industrial activities as well as a number of clubs and societies via water metering. ICC does not maintain individual scheme charges for wastewater, stormwater, or residential water activities within its district. All properties connected to a council-supplied water, wastewater or stormwater service are charged targeted rates which are determined at a district-wide level.</p> <p>ICC does not ringfence individual scheme charges but intends to establish a separate finance system for water services to maintain ring fencing of water services revenue. This will ensure full accounting separation. There are no immediate proposed changes to the future approach to charging and billing other than a transition away from general rates for stormwater services.</p>	<p>While ICC may not ring-fence individual scheme charges it does account for activities separately through Funding Impact Statements that balance to either debt or reserves.</p> <p>ICC will continue to set charges through rates and other existing mechanisms.</p>	Meets requirements	N/A
Water services revenue requirements and sources	<p>The Plan outlines how revenue is earned for the three waters, i.e., targeted rate revenue split of total revenue. The Plan notes that minor, immaterial interest revenue can be earned on surplus net debt balances. The Plan states that ICC is transitioning from general (25%) to targeted rate (currently 75%) for stormwater to ensure ringfencing by 2027/28. ICC does not charge development contributions currently however the policy is to be reviewed in 2026/27.</p>	Revenue requirements and sources are identified in the Plan.	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>Charging and collection methodology is clearly described. Projected charges are shown in a table in Part D for the 10-year period.</p> <p>For water supply, 69% of total revenue is derived from targeted rates with the remainder from volumetric charges.</p> <p>84% of wastewater revenue is from targeted rates and 16% from user fees (primarily trade waste and connection fees).</p> <p>For stormwater, 75% of total revenue for stormwater services is received through a targeted rate based on capital value. The remaining 25% is funded from the general rate.</p> <p>Stormwater is charged through a partial general rate that does not differentiate between residential and non-residential.</p>	<p>Charging mechanisms do not separate rates between commercial and residential, except for volumetric charging for high use commercial properties and trade waste charges.</p> <p>Stormwater revenue is based on the value of the property. The new targeted rate for Stormwater will continue to be on the capital value of the property.</p>	<p>Meets requirements</p>	<p>N/A</p>
<p>The affordability of projected water services charges for communities</p>	<p>Affordability metrics and movements are included in the Plan, however there is no table showing how it is calculated. The Plan notes affordability issues and will "maintain a balance between the prudent use of debt, managing issues of intergenerational equity, depreciation funding, and ratepayer affordability."</p> <p>Financial projections included in the Plan see average residential water charges increasing from 1.9% of median household income to 2.8% of median household income by 2033/34.</p> <p>Water charges will increase within the first two years at 17.7% and 16.6%. It will increase at 9% in the third year.</p>	<p>The affordability compared to median household income rises from 2.1% in the current year to 2.8% by 2033/34. The increase is by 10 basis points each year.</p> <p>The average charge per connection rises from \$1,965 in the current 2025/26 to \$3,244 in 2033/34. This is a cumulative increase of 65% over the eight remaining 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
Funding and financing arrangements				
Water services financing requirements and sources	<p>ICC's net debt is expected to increase from \$20m to \$283m. If there is need for specific working capital for water services this will be attained from existing ICC reserves, or through liquidity facilities provided by lenders (any such facilities would not impact the net water services debt position).</p> <p>The Plan states that water services borrowing limits are 500% net debt to revenue and that ICC has a current operating policy of debt to revenue ratio of 180% increasing to 200% in 2028/29 and dropping to 190% in 2032/33.</p> <p>LGFA lending covenants are 280% net debt to revenue. ICC breaches its own debt to revenue limits in 2033/34 but not the LGFA's. Debt is acquired through a mixture of fixed term, fixed rate debenture stock and floating rate stock. The debt repayment strategy is stated as coming through either refinancing or cash reserves.</p> <p>ICC will create a separate general ledger for water services.</p>	Water services financing requirements and sources are clearly outlined in the Plan.	Meets requirements	N/A
Internal borrowing arrangements	ICC has no current internal borrowing arrangements. Borrowing for each activity is traceable through net debt accounts for each activity. ICC intends to transition towards maintenance of a separate ledger for three waters services prior to 2027/28 for transparency purposes. No decisions have been made on treasury management past 2027/28. However, ICC consider it is likely that it will continue to acquire debt at a council-wide level.	Net debt is tracked and attributed to activities based on the Funding Impact Statements for each water service. These are prepared on an accrual accounting basis and assume ICC clears all revenue and pays all expenses in the financial year. This approach has flowed through to the financial statements for the Plan. This is a common approach.	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Determination of debt attributed to water services	Debt allocation and totals at 2023/24 are shown. Net debt for three waters sits at \$20m and operating revenue at \$28m with a debt to revenue ratio of 72%. ICC holds a mixture of internal and external debt, as well as reserve funds/investments for its activities. The Council has a "net cash"/surplus position for wastewater and storm water due to cash reserves. The Plan states how annual movements in debt and reserves are determined.	The determination of net debt for water services is reasonable.	Meets requirements	N/A
Insurance arrangements	ICC has an insurance policy for material damage above ground and is part of the Local Authority Protection Programme (LAPP) for damage below ground. The Plan sets out each policy's renewal cycle and confirms the risk review processes undertaken for each policy. While the LAPP has regular risk modelling, this has not been conducted for ICC's above ground insurance policy. Above ground insurance is brokered by Insurance Brokers Alliance who work with ICC to manage risk profiling for cover. Loss modelling is not undertaken, and insurance is undertaken on a replacement cost basis. The insurance gap has not been specifically assessed and neither insurable nor uninsurable risks have been disclosed.	ICC's insurance approach is adequately covered.	Meets requirements	N/A

Assessment Report: Part D – Financial sustainability assessment

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Financially sustainable water services provision				
Confirmation of financially sustainable delivery of water services by 30 June 2028	The Plan states that water services delivery will be financially sustainable by 2027/28 and that significant operating revenue is already being generated that covers operating and financing costs. Depreciation funding will be applied towards the renewal of existing infrastructure and management of debt. ICC has sufficient borrowing headroom to allow future investment in three waters services, while still allowing for borrowing to be managed in a way that maintains affordability.	The Plan explains how the delivery of water services will be financially sustainable by 30 June 2028. We note ICC sets revenue to cover depreciation so there is no operating surplus. They have a low net debt for three waters, allowing funding to be lower and relying on debt to smooth the phase in higher charges.	Meets requirements	N/A
Actions required to achieve financially sustainable delivery of water services	The Plan indicates a path towards achieving full funding of depreciation by 2027/28 through increases to rates and fees revenue at appropriate levels. This funding will be applied towards the renewal of its existing infrastructure and the management of debt.	ICC fully funds depreciation and does not set revenue for a surplus. The age of the infrastructure and the need for renewal may challenge achieving a balanced budget in the long-term, but the Plan meets the current planning horizon.	Meets requirements	N/A
Risks and constraints to achieving financially sustainable delivery of water services	The risks stated are: <ul style="list-style-type: none"> • delivery risk for the capital works programme; • risk of capital replacement value inflation outpacing projections; and • consequential risk of capital replacement value inflation on depreciation forecasts. 	Risks and constraints to achieving financially sustainable delivery of water services are identified.	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	Revenue is sufficient to cover costs in all but the first two years of the Plan. Revenue projections have been developed as part of comprehensive financial forecasting which includes operating and capital cash flows and financing arrangements. Forecast revenues are sufficient to allow for the funding and financing of the required capital investment programme. It should be noted that forecasts project a virtually nil surplus beyond the initial years of deficit.	Projected water services revenues cover the projected costs of delivering water services including fully funding depreciation, but do not forecast a surplus.	Meets requirements	N/A
Average projected charges for water services over 2024/25 to 2033/34	The table has been filled by ICC (inclusive of GST). The charges are estimated average residential charges and do not include non-residential and commercial. Non-residential and commercial users are charged more, skewing the average when affordability is based on household costs. Source of affordability metric is stated.	Average projected charges for residential water services are provided.	Meets requirements	N/A
Projected operating surpluses/(deficits) for water services	There is no operating surplus from 2027/28 onwards. It is modelled on a balanced budget approach, i.e., depreciation costs are fully funded from revenues, and no surplus is proposed.	Projected operating surpluses are nil for water services from 2027/28 onwards. We note the operating costs relative to the replacement value of the asset is low, at 1.2% rising to 1.9%.	Meets requirements	N/A
Projected operating cash surpluses for water services	A table has been filled by ICC and excludes revenue and expenditure relating to ICC wider activities. Depreciation, interest costs, development contributions, and other capital receipts have been excluded. There is a positive operating cash ratio over the planning period, with the ratio fluctuating, but generally increasing. Cash surpluses generated through three waters activities are applied firstly to the payment of financing costs on three waters related debt, and secondly towards asset renewal.	ICC has cash surpluses for operations in every year of the planning period, but it does not fund the activity for accounting surpluses. Cash surpluses are equal to depreciation. The Funding Impact Statements balance the spending back to debt, and the cash flow statement holds cash balances at zero.	Meets requirements	N/A

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	Revenue is sufficient to cover all operating expenditure, including depreciation, over the next ten years. Despite projecting 1% growth, ICC is not allocating capital for growth during this period. Full funding of depreciation is planned by 2027/28, supporting asset renewals and debt management, which will result in the reduction of the average age of three waters infrastructure. Total investment over the next decade will exceed depreciation for both renewals and overall capital expenditure, with renewals surpassing depreciation from 2026/27 onwards.	Level of investment is sufficient to meet LOS, resilience and regulatory commitments. Growth will be accommodated via capacity and renewal investment.	Meets requirements	N/A
Renewals requirements for water services	Renewals will exceed depreciation from 2027/28 onwards, with ICC projecting a reduction in the average age of network assets as a result. Timing of renewals and existing asset ages contribute to a negative asset sustainability ratio in the first three years of the plan, while a spike in renewals in 2030/31 reflects the planned replacement of the Clifton Water Treatment Plant. From 2030/31, the asset sustainability ratio becomes consistently positive. The capital programme aligns with the Long-Term Plan, Infrastructure Strategy, and Asset Management Plan	Renewals are lower than project depreciation in the first three years but are above depreciation for most of the remaining period. The Plan provides a reasonable explanation for this approach.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Total water services investment required over 10 years	The asset investment ratio is positive from 2026/27, with high levels of investment projected to outpace asset deterioration and depreciation. Although growth is estimated at 1%, ICC has indicated that existing network capacity is sufficient to meet demand and growth through to 2034. Investment aligns with the Long-Term Plan, Infrastructure Strategy, and Asset Management Plan, and is primarily focused on renewing existing assets. Capital expenditure will consistently exceed depreciation from 2026/27 onwards. Factors considered in determining investment include affordability, deliverability, timing of consent expiration, and community need.	Most investment in three waters is for LOS improvements and renewals, which are projected to outpace asset deterioration and depreciation over time. Investment is consistent with the asset management plan and infrastructure strategy.	Meets requirements	N/A
Average remaining useful life of network assets	Financial benchmarks show the asset consumption ratio rising from 43.9% to 52.7% by 2033/34, indicating an increase in the average remaining useful life of network assets. Renewals investment will outpace deterioration and depreciation, with \$294 million planned for renewals and \$220 million for LOS improvements in water supply and wastewater over ten years—representing 19% of ICC’s three waters asset base. This planned investment indicates adequate renewals in the later years.	The Plan shows the asset average life remaining is increasing due to expenditure on renewals, and LOS projects.	Meets requirements	N/A
Assessment of financing sufficiency				
Confirmation that sufficient funding and financing can be secured to deliver water services	ICC confirms it will remain within overall council debt to revenue covenants imposed by LGFA and stay below 500% debt to revenue ratio. ICC maintain a three waters FFO to debt ratio above 9% (20-50k connections) and generate sufficient revenue to cover the full cost of servicing debt.	Sufficient financing and funding are available for the period of the plan.	Meets requirements	N/A
Projected council borrowings against borrowing limits	ICC is not anticipated to breach LGFA lending covenants. Water services debt and revenue have been included throughout the modelling period, as ICC has proposed an in-house delivery model for three waters services.	Projected borrowings increase from \$19m to \$283m and remain within LGFA whole of council borrowing limit of 280% net debt to revenue.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Projected water services borrowings against borrowing limits	ICC's three waters debt is not projected to exceed 500% of its three waters revenue during the period shown in the chart, reaching 414% at 2033/34. The relative capital intensity of three waters activities indicates that utilising ICC's ability to leverage its total revenue is appropriate to manage affordability, intergenerational equity, on long term funding considerations for water services.	Projected water services net debt peaks at 414% in 2033/34 and is within the council set internal limit of 500%.	Meets requirements	N/A
Projected borrowings for water services	ICC's water services debt to revenue reaches 414% for 2034, from a comparatively low level of initial debt in the 2024/25 year. Increased debt is reflective of the significant three waters capital programme that is proposed for the period, which includes a total of \$515 million of capital investment in the ten-year period, of which \$294 million relates to the renewal of existing assets.	Projected borrowings increase from \$19m to \$283m over the 10 years and are within ICC's funding policy and prudent parameters.	Meets requirements	N/A
Borrowing headroom/(shortfall) for water services	ICC's total capital expenditure across water, wastewater, and stormwater is projected to be \$515m over the 2024/25 to 2033/34. Over the same period, ICC's total capital expenditure equates to \$842m, with 3 waters capital expenditure therefore equating to over 60% of ICC's total planned capital expenditure and therefore a large debt ramp up is required. Headroom starts at \$146m and decreases to \$59m.	ICC maintains adequate headroom and has the capacity to allocate a debt ratio above 500% due to the headroom available at the whole of council level.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Free funds from operations	ICC has flagged this is not a relevant measure for an in-house delivery model. ICC has therefore not determined what an appropriate FFO to debt ratio would be for an in-house delivery model, however it would be likely to differ from the equivalent ratio for a water services CCO given that ICC's overall credit risk differs from that of a water services CCO. ICC's combined water services FFO to debt ratio remains above 10% during the modelling period. This remains above the minimum FFO of 9% indicated in the guidance issued by LGFA for a water services CCO with between 20k - 50k connections.	As this is an IBU we do not assess the FFO ratio. We note the FFO ratio starts at 95% and falls to 10.7% at the period of the plan and would support a standalone water services organisation.	N/A	N/A
Assessment of financing sufficiency	ICC 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. ICC maintains a three waters FFO to debt ratio above 9% and generate sufficient revenue to cover the full cost of servicing debt.	The plan demonstrates 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
Projected funding impact statement	Statement is included for each activity.	Meets requirements	N/A
Projected statement of comprehensive revenue and expense	Statement is included for each activity.	Meets requirements	N/A
Projected statement of cashflows	Statement is included for each activity.	Meets requirements	N/A
Projected statement of financial position	Statement is included 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 pages 62 - 65

Projected statement of financial position

Water Services Delivery Plan pages 70 - 73

Financial measures: revenue sufficiency

Water Services Delivery Plan pages 42 - 45

Financial measures: investment sufficiency

Water Services Delivery Plan pages 46 - 49

Financial measures: financing sufficiency

Water Services Delivery Plan pages 50 - 54

Assessment Report: Water Service Delivery Plan – Additional information

Additional information	Summary of content in Plan	Assessment Review Comment	Focus for Panel
Additional disclosures to support Plan	N/A	N/A	N/A
Significant capital projects	ICC’s Significance and Engagement Policy provides the threshold and criteria for determining significance. The five criteria are: <ul style="list-style-type: none"> • Importance to Council; • Community Interest; • Inconsistency with existing policy and strategy; • Impact on Councils capability and capacity; and • Cost to Council. 	Meets requirements	N/A
Key issues, constraints, risks and assumptions	The Plan includes key risks and material assumptions for water services delivery.	Meets requirements	N/A