

# Water Services Delivery Plan Assessment

## Assessment Report – Kāpiti Coast District Council

**Te Kāwanatanga o Aotearoa**  
New Zealand Government



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

## Glossary and abbreviations

The table below sets out the abbreviations used in this report

	Abbreviation
Asset Management Plans	AMP
Capital expenditure	capex
Department of Internal Affairs	Department
Drinking Water Quality Assurance Rules	DWQAR
Funds from operations	FFO
In-house business unit	IBU
Kāpiti Coast District Council	KCDC
Levels of service	LOS
Local Government Funding Agency	LGFA
Local Government (Water Services Preliminary Arrangements) Act 2024	Preliminary Arrangements Act
Long Term Plan	LTP
Wastewater treatment plant	WWTP
Water services council-controlled organisation	WSCCO
Water Services Delivery Plan	Plan
Water treatment plant	WTP

# Assessment Cover Sheet

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

Detail	Commentary
<b>Councils involved in plan</b>	Kāpiti Coast District Council
<b>Number of connections</b>	<ul style="list-style-type: none"> <li>• Drinking water: 24,449</li> <li>• Wastewater: 21,056</li> <li>• Stormwater: 23,167.</li> </ul> <p><b>Projected to rise by 2034 to:</b></p> <ul style="list-style-type: none"> <li>• Drinking water: 28,161</li> <li>• Wastewater: 24,412</li> <li>• Stormwater: 26,859.</li> </ul>
<b>DIA comment on council engagement during Plan development process</b>	<ul style="list-style-type: none"> <li>• KCDC initially explored working within the Greater Wellington regional grouping, which originally consisted of 10 councils across the Greater Wellington region.</li> <li>• On 28 November 2024, KCDC resolved to exit the Greater Wellington model and explore another joint option, with Manawatū, Horowhenua and Palmerston North district councils.</li> <li>• The Department supported the four-council grouping by providing financial analysis, which highlighted the benefits of a four-council joint WSCCO. The Department also attended engagements with elected members from the four councils to discuss benefits of a WSCCO.</li> <li>• KCDC resolved to consult on an IBU model, with a joint model as the alternative. KCDC then resolved to progress with this option as the preferred option for future delivery.</li> </ul>

Detail	Commentary
<b>Feedback provided to council prior to submission on Draft Plan</b>	On 14 August 2025, KCDC requested the Department review a draft Plan. However, the Department declined, given resourcing was being used to review draft Plans from limited councils that had previously arranged a late review and to review final Plans that were being received.
<b>Engagement with council during review and assessment process</b>	<p>Following an initial technical and financial review of the final Plan, KCDC was asked to clarify aspects of the Plan to enable the review to progress.</p> <p>On 15 September 2025, the following clarifications were sought:</p> <ul style="list-style-type: none"> <li>• On page 12 of the Plan, it indicates the average age of stormwater network assets is 'None (estimated median 40 years)' - please confirm no average age information is available.</li> <li>• Also on page 12, the Plan states 0% of the below ground stormwater network has a condition grading, however the latest Infrastructure Strategy page 23 states "<i>pipe condition assessments are now completed in almost half of the catchments and will continue to inform the asset renewal programme as appropriate</i>". Please confirm the condition grading percentage for the below ground stormwater network assets.</li> </ul> <p>On 18 September 2025, the following further clarifications were sought:</p> <ul style="list-style-type: none"> <li>• Please explain the variance between the total comprehensive income in the Statement of comprehensive revenue and expense and the movement in equity in the balance sheet. For example, total comprehensive income FY2025/2026 of \$19,236 on page 58 should match the movement in equity in the Statement of financial position on page 60, \$372,380 less \$349,924 is \$22,456, a difference of \$3,220. If an adjustment to the book value infrastructure assets were required how much of an impact would it have on the Asset consumption ratio on page 49.</li> </ul> <p>On 17 and 23 September 2025, KCDC responded with information on the above points and the Department's assessment team was satisfied that the clarifications provided the additional detail required.</p>
<b>Other Background Comments</b>	N/A

## Assessment Summary

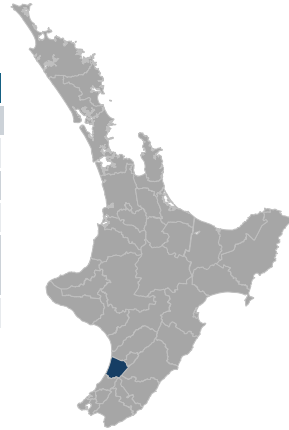
Section	Commentary
<b>Confirmation of submission completeness checklist</b>	Yes – all required components completed.
<b>General comment on Plan</b>	The Plan demonstrates financial sustainability, with sufficient revenue to cover the costs, and sufficient investment to meet relevant regulatory standards.
<b>Financial sustainability comment</b>	The Plan explains how the delivery of water services will be financially sustainable and that revenue is sufficient to cover the long-term investment that meets LOS, regulatory requirements and provides for growth. No further actions beyond those in the Plan are required to become financially sustainable. Key risks to achieving financially sustainable delivery of water services are outlined in the Plan.
<b>Revenue Sufficiency</b>	The Plan demonstrates sufficient revenue to deliver on required investments over 10 years. Operating cash surpluses are projected for every year of the Plan, with an overall surplus of \$309.3m and 60.4% operating cash surplus ratio over the 10 years of the Plan. Operating surpluses start in 2029/30 and total \$7.7m over the 10 years of the Plan. The operating surplus ratio improves for most of the period but reduces slightly from 2032/33 onwards. This gives an average operating surplus of 1.5%, with the deficits in the early years due to funding depreciation.
<b>Investment Sufficiency</b>	The Plan demonstrates the investment of \$362.2m over the 10 years of the Plan is sufficient to meet requirements of LOS, renewals and enable growth. The level of renewals expenditure is deemed to be appropriate as it considers the age and condition profile of the assets, with greater renewals investment required outside the period of this Plan. The investment ratio also reflects the quantum of depreciation increasing while capex remains relatively stable. This investment profile aligns to KCDC's LTP budgets and is consistent with the investment priorities identified. However, we recommend monitoring the funding and investment to meet population growth estimates and the implementation of planned growth projects.
<b>Financing Sufficiency</b>	The Plan confirms that sufficient funding and financing can be secured to deliver water services. The projected borrowings for water services over the 10 years of the Plan are \$260.4m. Projected total council borrowings are within the whole of council borrowing limits of 280% net debt to revenue imposed by LGFA. Water services expect to be within the 500% borrowing limit from 2025/26. Apart from starting with a \$34.8m shortfall, headroom increases over the 10 years of the Plan, peaking at \$61.4m in 2032/33 and ending with \$55.4m in 2033/34.
<b>Overall assessment recommendation</b>	The overall recommendation from the assessment phase is to <b>accept</b> the plan from KCDC.

## Issues for discussion with Panel

Issue	Description	Recommended treatment
Investment and charges for growth	Sufficiency of the funding and investment to meet population growth estimates	We recommend monitoring funding and investment to meet population growth estimates and the implementation of planned growth projects.

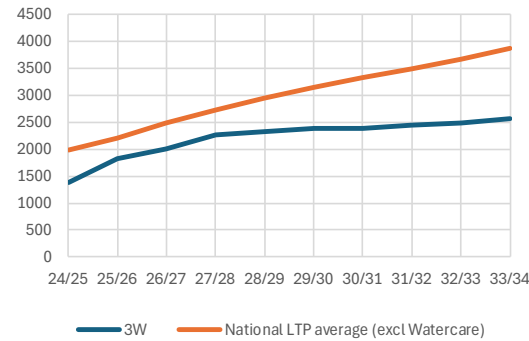
**Council summary information**

Summary information	Level
Current population	59,550
Drinking water connections	24,449
Wastewater connections	21,056
Stormwater connections	23,167
High growth council	No
10 year population growth	11.4%



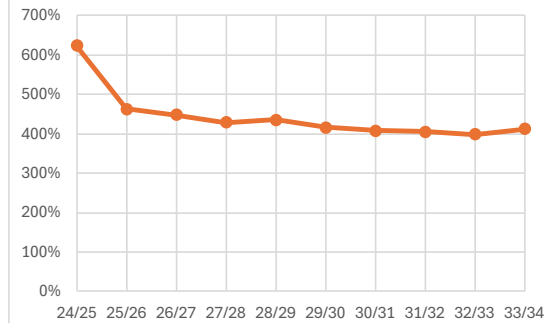
**Affordability and growth**

Waterservices 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	1.40%	1.90%	1.91%
Annual price increase	28.60%	2.90%	9.58%
DC collected per new connection (\$)	1,423	8,195	5,446

Item	Year 1	Year 10	10 Year Average
Water related net debt to operating revenue %	624%	412%	444%
FFO to debt	2.6%	11.1%	9.6%
Whole of Council net debt to revenue (approx)	220%	125%	173%

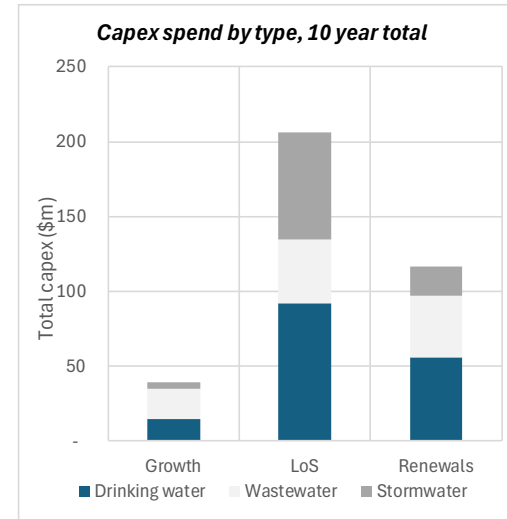
**Assets, network and compliance**

Asset measures	Year 1	Year 10	10 Year Average
Total assets per connection (\$)	22,604	31,539	27,122
Total debt per connection (\$)	7,624	9,833	8,912
Operating costs per connection (\$)	658	730	680
Age of network (years)	DW	WW	SW
Average age outlined in plan	36	36	40

Network performance	Level
Level of service performance measures achieved	95%
Water loss rate (% loss)	30%
Average consumption (litres per person per day)	268

Compliance addressed in the Plan	
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	15,076	91,719	55,980	162,775
Wastewater	19,645	42,981	40,840	103,466
Stormwater	4,785	71,481	19,660	95,926
<b>Total 10 years</b>	<b>39,506</b>	<b>206,181</b>	<b>116,480</b>	<b>362,167</b>



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

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Delivery model and implementation</b>				
<b>Financially sustainable water services provision</b>	The Plan provides financial information, including projected financial statements, a fully funded investment programme, investment metrics, and debt projections that demonstrate that KCDC is able to deliver financially sustainable water services now and into the foreseeable future.	The Plan explains how the delivery of water services will be financially sustainable and that revenue is sufficient to cover the long-term investment that meets LOS, regulatory requirements and provides for growth.	Meets requirements	N/A
<b>The proposed model to deliver water services</b>	<p>The proposed model for water services delivery is an IBU.</p> <p>A number of changes to the current delivery model will be made including:</p> <ul style="list-style-type: none"> <li>• A review of accounting arrangements to enable improved financial reporting and transparent ringfencing;</li> <li>• A review of existing labour capitalisations, overhead allocation models and current general rate funded flood protection component of stormwater activity;</li> <li>• Additional resources to respond to increasing regulatory compliance, reporting requirements and improved asset management practices;</li> <li>• Improved governance, oversight and accountability, including establishing a new three waters director role;</li> <li>• Separating stormwater and coastal activity, with stormwater remaining within the IBU; and</li> <li>• Developing a Water Services Strategy, annual reports and annual budget.</li> </ul>	<p>The Plan's description of the proposed IBU model is clear with implementation occurring from 2025 to July 2027.</p> <p>The IBU model includes minor changes to the organisational structure within KCDC, including improved governance through dedicated reporting to KCDC's Strategy Operations and Finance Committee.</p> <p>The IBU will meet ringfencing requirements by 1 July 2027.</p>	Meets requirements	N/A

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Implementing the proposed service delivery model</b>	<p>KCDC will take the following steps to implement the IBU:</p> <ul style="list-style-type: none"> <li>• Review its current approach for the recognition of capitalised labour during the 2025/26 financial year;</li> <li>• Implement dedicated reporting and standing agenda items in meeting of KCDC’s Strategy Operations and Finance Committee;</li> <li>• Establish a new three waters director role that reports to Group Manager Infrastructure and Asset Management prior to 2026/27;</li> <li>• Separate current stormwater and coastal activity during the 2025/26 financial year, with the provision of two separate groups with stormwater remaining within the new three waters IBU;</li> <li>• Review revenue and financing policy as part of the development of KCDC’s 2027 LTP. This will include review of the current general rate component of stormwater funding, with any changes expected to be implemented from 1 July 2027. A transitional period may apply to phase in the change in charging approach if modelling indicates that the change will cause affordability issues for existing ratepayers; and</li> <li>• A systems requirements review will be completed in 2026/27 to identify specific changes to be made to KCDC’s financial management systems to support ringfencing of the finances for water services. Required changes will be implemented from 1 July 2027.</li> </ul>	<p>Limited information is provided in the implementation plan, but it is sufficient to meet the requirements of section 13(2) of the Preliminary Arrangements Act.</p>	<p>Meets requirements</p>	<p>N/A</p>

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Consultation and engagement undertaken</b>	<p>Consultation took place on two options: an IBU (preferred) and a joint WSCCO with Horowhenua District Council, Manawatū District Council and Palmerston North City Council. Consultation was open from 10 March 2025 to 13 April 2025.</p> <p>KCDC received 521 submissions, with 94% supporting the proposal for an IBU.</p>	<p>Consultation meets the requirements of Part 3 of the Preliminary Arrangements Act.</p> <p>The number of submissions represents approximately 0.9% of the population in the district.</p>	Meets requirements	N/A
<b>Assurance and adoption of the plan</b>				
<b>Council resolution to adopt the Plan</b>	KCDC adopted the Plan on 28 August 2025.	N/A	Meets requirements	N/A
<b>Certification of the Chief Executive of KCDC</b>	The Chief Executive certified the Plan on 28 August 2025.	N/A	Meets requirements	N/A

# Assessment Report: Part B – Network Performance

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Investment required in water services</b>				
<b>Serviced population and serviced areas</b>	<p>KCDC is responsible for managing:</p> <ul style="list-style-type: none"> <li>four residential water supplies, with five WTPs;</li> <li>two wastewater schemes; and</li> <li>four stormwater catchments.</li> </ul> <p>Of the 23 performance measures, 22 were met in 2023/24.</p>	<p>KCDC expects growth of approximately 11% over the next 10 years. The Plan provides comprehensive information on serviced areas, connections and growth.</p> <p>95% of water service performance measure were met in 2023/24.</p> <p>The percentage of real water loss is reported at 29.6% which is above KCDC's target of 23.6%. Average water consumption is 268 litres per person per day, which is below KCDC's target.</p>	Meets requirements	N/A
<b>Assessment of the current condition and lifespan of the water services network</b>	<p>The Plan provides information on asset condition and age by water service. No backlog for water renewals is provided.</p> <p>Condition information included in the Plan shows:</p> <ul style="list-style-type: none"> <li>Drinking water: 100% of underground and 90-100% for above ground have a condition rating; 0-10% are in poor or very poor condition;</li> <li>Wastewater: 70% of underground and 95-100% of pumpstations and WWTPs have a condition rating; 0-10% are in poor or very poor condition; and</li> <li>Stormwater: 0% of underground, 100% for pumpstations. Percentage in poor or very poor condition is not given.</li> </ul>	<p>Condition and criticality information is used to plan KCDC's renewals programme. Existing condition information is suitable to plan maintenance, renewals and capital plans.</p> <p>The Plan does not provide the average age of stormwater assets and that there is no condition information for below ground stormwater assets.</p> <p>Additional information was requested from the Council who have confirmed the average age of stormwater pipes is 31.3 years and 53.1% of the network has condition information.</p>	Meets requirements	N/A

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Asset management approach</b>	<p>KCDC has a well-established approach to asset management planning, based on ISO 55000. There is no Asset Management Policy, but strategic objectives are identified in the AMPs.</p> <p>Asset Management Information systems are identified in the Plan.</p> <p>Asset management maturity results are provided for the 2024 AMP cycle and KCDC is currently implementing a strategic AMP.</p> <p>No changes planned to KCDC’s current asset management system for managing water services.</p>	<p>The Plan shows that little change in asset management approach or delivery mechanisms is planned.</p> <p>Information is provided on process. Limited commentary is provided on how the asset management will support the proposed IBU model.</p>	Meets requirements	N/A
<b>Statement of regulatory compliance</b>	<p>The Plan notes that KCDC is fully compliant with DWQAR. No boil water notices are in place.</p> <p>Water consumption is 268 litres per person per day.</p> <p>For drinking water there are 19 resource consents, with three consents expired. 13 consents expire in the next 10 years (including the existing three expired consents).</p> <p>For wastewater there are seven consents, and no consents expire in the next 10 years</p> <p>For stormwater there is one global consent and 12 wetland related consents. Six consents are expired and four are operating under extensions provided under section 124 of the Resource Management Act 1991. 11 consents expire in the next 10 years (including the existing six expired consents).</p>	<p>KCDC is meeting drinking water compliance on all schemes and is also meeting consent compliance.</p> <p>Plans are in place to address the expired consents and consents that are expiring in the next 10 years.</p>	Meets requirements	N/A

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Capital expenditure required to deliver water services and ensure that water services comply with regulatory requirements</b>	<p>KCDC's planned investment during the period is to address the identified network performance issues disclosed in Part B, such as replacing assets which are aging and in poor condition, meeting LOS and improving compliance. Investment is also required to plan for growth.</p> <p>Expenditure per year is inconsistent over the period of the Plan and varies from \$23m to \$48m p.a. Total capex for the 10 years of the Plan is \$362.2M.</p> <p>The Plan lists the significant projects for each water service.</p>	<p>We recommend monitoring funding and investment to meet population growth estimates and the implementation of planned growth projects.</p> <p>Renewals are appropriate given the age profile of the water services assets.</p>	Meets requirements	Yes
<b>Historical delivery against planned investment</b>	<p>The Plan shows that in 2024/25 KCDC delivered total capex investment in water of \$39.2m against a plan of \$38.7m, which is 101.2% delivery against plan.</p> <p>Renewal delivery for the same period was \$5.5m, against a plan of \$3.6m, which is 152% of planned investment.</p>	Planned capex levels are similar to amounts that have been delivered in previous years.	Meets requirements	N/A

# Assessment Report: Part C – Revenue and financing arrangements

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Revenue and charging arrangements</b>				
<b>Charging and billing arrangements</b>	<p>Current charging arrangements are outlined in the Plan. Future changes may include shifting flood protection to targeted rates and considering volumetric wastewater charges, to be reviewed in the 2027 LTP. There are no plans to amend pricing structures for drinking water. KCDC will review accounting and overhead allocation methods to ensure transparency and proper use of three waters revenue. Capitalisation of labour processes are also under review for improved accuracy.</p> <p>To meet ringfencing requirements, KCDC will stop collecting stormwater rates through the general rate in 2027/28. Appropriate reviews of stormwater rate charging will occur during the 2026/27 LTP process in time for the 2027/28 change away from general rates.</p>	<p>Current charging arrangements are described, however there is limited commentary about billing arrangements and the proposed charging regime. Stormwater charging will be amended to meet ringfencing requirements in the 2026/27 LTP process.</p>	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Water services revenue requirements and sources</b>	<p>56% of revenue for drinking water comes from targeted rates; the rest is mainly from water charges. No capital grants or subsidies are expected for drinking water after 2027/28.</p> <p>98% of revenue for wastewater is derived through targeted rates. The remaining revenue is derived through fees and charges, in particular charges for trade waste and connection fees.</p> <p>65% of stormwater revenue comes from a targeted rate on capital value, with 35% from the general rate. Rural properties pay less under a general rate differential. KCDC plans to move all stormwater funding to a targeted rate in 2027/28 as part of water services ringfencing.</p> <p>For all water services, minor, immaterial revenue is collected in relation to interest earned on investments.</p>	Sources of revenue for each water service are clearly provided in the Plan.	Meets requirements	N/A
<b>Existing and projected commercial and industrial users' charges</b>	KCDC sets targeted rates, fixed rates and volumetric rates for existing non-residential/commercial customers.	There is minimal information in the Plan on current and projected non-residential or commercial charges.	Meets requirements	N/A
<b>The affordability of projected water services charges for communities</b>	KCDC aims to balance debt use, intergenerational equity, depreciation funding and ratepayer affordability. Residential water charges are projected to rise from 1.4% to 2.1% of median household income by 2029, then drop to 1.9% by 2034. Even at the peak, charges remain below the DIA benchmark guidance of 2.5%.	<p>Sufficient information provided to meet requirements.</p> <p>Affordability remains under the Department's guidance of 2.5% of median household income throughout the period.</p> <p>KCDC is not expected to exceed borrowing limits and could use more debt to ease affordability if needed.</p>	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Funding and financing arrangements</b>				
<b>Water services financing requirements and sources</b>	KCDC's net debt for three waters services is projected to rise from \$175m to \$260m over the 10 years of the Plan. Working capital will be managed per KCDC's liability policy, using reserves or lender facilities if needed, without affecting net three waters debt.	The Plan shows sufficient financing requirements and sources.	Meets requirements	N/A
<b>Internal borrowing arrangements</b>	KCDC does not use internal borrowing and manages external debt at the council level, with separate accounts tracking debt for each activity. Interest is charged based on KCDC's average borrowing cost. A review of accounting for three waters services is planned to improve transparency after the transition date. Decisions on future treasury management will be included in the next LTP review.	KCDC is not expecting to make use of internal borrowing arrangements, however, this will be reviewed during the next LTP.	Meets requirements	N/A
<b>Determination of debt attributed to water services</b>	KCDC manages its borrowing at an activity level and can determine existing three waters debt balances through recorded movements against each activity. KCDC's three waters debt is fully backed with external lending, and there is no internal debt or cash reserves for three waters. Annual movement in debt is determined based on each activity's capital and operating cash flows. Debt presented in this plan represents net debt.	Sufficient detail is provided about the determination of debt.  We note that the three waters net debt to revenue at 30 June 2024 was 646%, which is well above the newly adopted 500% limit.	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Insurance arrangements</b>	The Plan outlines KCDC asset types and associated insurance cover. They will keep ownership of three waters assets and maintain suitable insurance. To manage insurance costs, KCDC uses external cover and risk-sharing with other councils through the Outer Wellington Shared Services insurance programme, covering damage and natural disasters. Insurance limits are set by independent analysis. KCDC assets' insured values and maximum cover are shown in the Plan. Land, roads, bridges, and forestry are not insured, and there is no self-insurance fund. KCDC has adequate professional liability and indemnity insurance.	There are sufficient details in the Plan on KCDC's insurance arrangements.	Meets requirements	N/A

# Assessment Report: Part D – Financial sustainability assessment

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Financially sustainable water services provision</b>				
<b>Confirmation of financially sustainable delivery of water services by 30 June 2028</b>	KCDC’s Plan meets the requirements of revenue, investment and financing sufficiency, as laid out in the following sections.	The Plan explains how the delivery of water services will be financially sustainable by 30 June 2028 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
<b>Actions required to achieve financially sustainable delivery of water services</b>	<p>While depreciation costs have not always been fully funded in the past, KCDC will move to full funding of depreciation in 2025/26.</p> <p>Planned investment in renewals and LOS will ensure that regulatory compliance obligations are met and result in an overall improvement in the average age of its assets.</p> <p>KCDC is projected to have sufficient borrowing headroom from 2027/28 to allow for future investment in three waters services, while still allowing for borrowing to be managed in a way that maintains affordability for water users.</p>	No further actions beyond those in the Plan are required to become financially sustainable.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Risks and constraints to achieving financially sustainable delivery of water services</b>	<p>Key risks to achieving financial sustainability relate to:</p> <ul style="list-style-type: none"> <li>• Capital works delivery risks, which will be managed by focusing on three waters and improving governance, with dedicated resources;</li> <li>• Risk of capital goods inflation, which will be addressed through regular reviews and available borrowing capacity; and</li> <li>• If inflation impacts depreciation forecasts, full funding isn't essential for financial sustainability but is preferred. Borrowing headroom allows cost absorption and gradual revenue increases if needed.</li> </ul>	<p>Key risks to achieving financially sustainable delivery of water services are outlined in the Plan.</p> <p>Further risks are shown for each water service in the appendix.</p>	Meets requirements	N/A
<b>Assessment of revenue sufficiency</b>				
<b>Projected water services revenues cover the projected costs of delivering water services</b>	Revenue is projected to be sufficient to cover the full cost of delivering water services, including operating expenses, depreciation and interest (excluding capital revenue).	The projected water services revenues cover the projected costs of delivering water services.	Meets requirements	N/A
<b>Average projected charges for water services over 2024/25 to 2033/34</b>	<p>Over the 10 years of the Plan, charges rise from \$1,382 in 2024/25 to \$2,561 in 2033/34, an increase of 85.3%.</p> <p>The average water services charge including GST for residential households over the 10 years of the Plan is \$2,204.</p>	We note the increase in the average charge peaks at 31.6% in 2025/26 before reducing considerably to a 0.6% increase in 2030/31. However, the affordability ratio remains under the Department's guidance of 2.5% of median household income throughout the 10 years.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Projected operating surpluses/(deficits) for water services</b>	<p>KCDC records operating deficits for the first three years of the forecast period and again in 2028/29, before projecting increasing surpluses out to 2033/34. Over the forecast period, the total operating surplus comes to \$7.7m, which is an average operating ratio of 1.5%.</p> <p>The operating surplus ratio varies from a deficit of 16.1% in 2024/25 to a surplus of 5.1% in 2030/31 and 2031/32.</p>	<p>Operating surpluses start in 2029/30 and a \$7.7m surplus is achieved for the 10 years of the Plan. The operating surplus ratio improved for most of the period, but reduces slightly from 2032/33 onwards, giving an average of 1.5%.</p> <p>We note deficits in the early years are due to fully funding depreciation. This does not limit our ability to accept the Plan.</p>	Meets requirements	N/A
<b>Projected operating cash surpluses for water services</b>	<p>The operating cash ratio remains positive throughout the period and increases from 53.9% in 2024/25 to 64.0% in 2033/34, however this briefly decreases to 51.3% in 2025/26. Cash generation is projected to increase from \$15.1m in 2024/25 to \$40.4m in 2033/34, highlighting stronger financial performance in water activities.</p> <p>Three waters cash surpluses are used first for financing costs, then asset renewals. Long-term modelling shows surpluses are enough to keep borrowing and investment at planned levels. Debt is managed using debenture stock, repaid by re-issuing stock or using cash surpluses. KCDC sets revenue needs to maintain suitable debt, balancing investment, affordability, and intergenerational equity.</p>	<p>There are projected operating cash surpluses every year of the Plan and an overall surplus of \$309.3m across the 10 years of the Plan. This is a 60.4% operating cash surplus ratio over the 10 years of the Plan.</p> <p>We note cash surpluses will be applied firstly to the payment of financing costs and then towards the renewal of existing assets. This does not limit our ability to accept the Plan.</p>	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Assessment of investment sufficiency</b>				
<b>Projected water services investment is sufficient to meet levels of service, regulatory requirements and provide for growth</b>	<p>KCDC is investing \$362.2m over the 10 years of the Plan, which is 184% of depreciation.</p> <p>Water infrastructure is planned to exceed depreciation of the network at a total capital investment level but will not exceed depreciation when considering renewals alone.</p>	The Plan demonstrates investment is sufficient to meet requirements of LOS, renewals and enable growth, although we recommend monitoring funding and investment to meet population growth estimates and the implementation of planned growth projects.	Meets requirements	Yes
<b>Renewals requirements for water services</b>	<p>Depreciation exceeds renewals capex in all 10 years of the Plan.</p> <p>Renewal investment has been determined by consideration of the age, condition and performance of assets within the waters network. Current asset management data indicates the planned renewals programme reflects the investment needs across its network, with significant investment in renewals not being required within the period covered by the Plan.</p>	The level of renewals expenditure is deemed to be appropriate as it considers the age and condition profile of the assets, with greater renewals investment required after the 10-year period covered by this Plan.	Meets requirements	N/A
<b>Total water services investment required over 10 years</b>	There is a positive investment ratio in all years of the Plan (13% - 188%) and total investment is well above depreciation.	<p>The investment ratio reflects the quantum of depreciation, which is increasing while capex remains relatively stable.</p> <p>This investment profile aligns to the LTP budgets and is consistent with the investment priorities identified.</p>	Meets requirements	N/A
<b>Average remaining useful life of network assets</b>	The average remaining life of useful life of network assets slightly increases over the 10 years of the Plan from 55.4% to 57.7%.	Investment in renewals and LOS over the 10 years of the Plan results in an improved average remaining asset life over time.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Assessment of financing sufficiency</b>				
<b>Confirmation that sufficient funding and financing can be secured to deliver water services</b>	<p>KCDC borrowings, including for water services, are within set limits.</p> <p>From 2027/28, KCDC will:</p> <ul style="list-style-type: none"> <li>Stay within LGFA's debt-to-revenue limits;</li> <li>Keep three waters debt below 500% of three waters revenue, reflecting capital needs and affordability; and</li> <li>Ensure three waters revenue fully covers related debt costs, with no cross-subsidy from other KCDC activities.</li> </ul>	The Plan confirms sufficient funding and financing can be secured to deliver water services.	Meets requirements	N/A
<b>Projected council borrowings against borrowing limits</b>	The Plan compares KCDC's net debt and revenue to its borrowing limits, showing no expected breaches of LGFA covenants during the period. It includes water services debt and revenue, as KCDC plans to deliver three waters in-house. The plan shows two scenarios for debt levels, in which both remain below the 280% limit.	Projected total council borrowings are within the whole of council borrowing limits of 280% net debt to revenue imposed by LGFA.	Meets requirements	N/A
<b>Projected water services borrowings against borrowing limits</b>	The Plan shows KCDC's three waters debt to revenue stays below the 500% borrowing limit from 2025/26, though no formal limit has been set by KCDC. Using total revenue for borrowing is seen as suitable for managing costs and fairness over time. Projections indicate the 500% limit won't be exceeded before 2054, and the council meets the 9% FFO to debt ratio throughout.	Water services are projected to be within the 500% borrowing limit from 2025/26. KCDC emphasises this is not a formal debt limit, and no explanation is given for the limit breach in 2024/25.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Projected borrowings for water services</b>	The projected water services net debt to revenue ratio drops from 624% to 412% by 2033/34. Despite \$362m in capital works, total debt rises just \$85m due to operating surpluses and development contributions.	The projected borrowings over 10 years is \$260.4m for water services.	Meets requirements	N/A
<b>Borrowing headroom/ (shortfall) for water services</b>	A 500% net debt to revenue ratio is seen as appropriate for water services borrowing capacity, aligning with LGFA standards and reflecting the capital-intensive nature of water services. This approach supports using more debt to fund long-life assets, easing the impact on current ratepayers, and avoids unnecessary increases in water charges. KCDC ensures all three waters borrowing costs are repaid from three waters revenue and maintains \$35–\$61m borrowing headroom from 2026/27 under the 500% metric.	Apart from starting with a \$34.8m shortfall, headroom increases over the 10 years of the Plan, peaking at \$61.4m in 2032/33 and ending with \$55.4m in 2033/34.  The Plan gave no commentary for the initial borrowing shortfall.	Meets requirements	N/A
<b>Free funds from operations</b>	The Plan excludes funds and debt from other council activities and includes 50% of projected development contributions as per LGFA guidance. The three waters FFO to debt ratio is below 9% in 2024/25 but will meet this requirement from 2027/28 due to fully funding depreciation. Over the 10 years of the Plan, KCDC's water services could borrow \$25m–\$65m more as a WSCCO, offering resilience to price and inflation risks and flexibility for managing short-term affordability.	KCDC is an IBU and not required to report on this metric.	N/A	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p><b>Assessment of financing sufficiency</b></p>	<p>KCDC borrowings, including for water services, are within set limits.</p> <p>From 2027/28, KCDC will:</p> <ul style="list-style-type: none"> <li>• Stay within LGFA debt-to-revenue limits;</li> <li>• Keep three waters debt below 500% of three waters revenue, reflecting capital needs and affordability; and</li> <li>• Ensure three waters revenue fully covers related debt costs, with no cross-subsidy from other KCDC activities.</li> </ul>	<p>The Plan confirms sufficient funding and financing can be secured to deliver water services.</p>	<p>Meets requirements</p>	<p>N/A</p>

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

Section in Part E	Summary of content in Plan	Assessment Review Comment	Focus for panel
<b>Projected funding impact statement</b>	A Financial Impact Statement is included for all water services and at a combined level.	Sufficient detail has been included.	N/A
<b>Projected statement of comprehensive revenue and expense</b>	A Statement of Comprehensive Revenue and Expenses is included for all water services and at a combined level.	Sufficient detail has been included.	N/A
<b>Projected statement of cashflows</b>	Cashflows included for all water services and at a combined level.	Sufficient detail has been included.	N/A
<b>Projected statement of financial position</b>	Balance sheet included for all water services and at a combined level.	Sufficient details are included. We note the movement in equity is not equivalent to the net profit across the Plan, which is also identified in the infographic. This does not limit our ability to accept the Plan.	N/A

# Assessment Report: Part E – Financial projections and measures

## Projected statement of comprehensive revenue and expense

Water Services Delivery Plan page 58

## Projected statement of financial position

Water Services Delivery Plan page 60

## Financial measures: revenue sufficiency

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## Financial measures: investment sufficiency

Water Services Delivery Plan page 45

## Financial measures: financing sufficiency

Water Services Delivery Plan page 50

# Assessment Report: Water Service Delivery Plan – Additional information

Additional information	Summary of content in Plan	Assessment Review Comment	Focus for Panel
<b>Additional disclosures to support Plan</b>	N/A	N/A	N/A
<b>Significant capital projects</b>	Significant projects include projects with a total capital cost exceeding \$2m, or projects addressing consent, compliance or growth issues outlined in this Plan. Network renewals or programmes of routine work are not included.	The information is clearly documented and laid out to support the overall assessment of the Plan.	N/A
<b>Key issues, constraints, risks and assumptions</b>	Key risks and assumptions have been included.	The information is clearly documented and well laid out to support the overall assessment of the Plan.	N/A