

Water Services Delivery Plan Assessment

Assessment Report – Kawerau District Council



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
Kawerau District Council	KDC
In-house business unit	IBU
Levels of service	LOS
Local Government Funding Agency	LGFA
Local Government (Water Services Preliminary Arrangements) Act 2024	Preliminary Arrangements Act
Long-term plan	LTP
Water services council-controlled organisation	WSCCO
Water services delivery plan	Plan

Assessment Cover Sheet

Background on council/s and engagement with the Department

Detail	Commentary
Councils involved in plan	Kawerau District Council
Number of connections	Drinking water: 2,917 Wastewater: 2,922 Stormwater: Approximately 2,922 properties.
DIA comment on council engagement during Plan development process	<ul style="list-style-type: none"> • In a December 2024 meeting between the Department and KDC, KDC indicated that the preference of elected members was likely to be retaining water service delivery in-house. Capital value-based charging, and consultation requirements for the Plan and LTP were also discussed. • In January 2025, the Department provided a draft information document to KDC, Ōpōtiki District Council, Rotorua Lakes District Council, Whakatāne District Council, Tauranga City Council and Western Bay of Plenty District Council on the financial viability of a Bay of Plenty WSCCO. In February 2025, the Department met with the Chief Executives of KDC, Whakatāne, Ōpōtiki, and Rotorua Lakes District Councils to discuss analysis of a four council sub-regional grouping, primary financial benefits and implementation approaches available. The analysis confirmed the four-council model would likely be financially sustainable. • In May 2025, the Chief Executive of KDC updated the Department on KDC’s position, noting it maintained significant debt headroom and high LOS. • Following public consultation, on 18 June 2025, KDC resolved that an IBU was its preferred delivery model. • On 28 August 2025, the KDC, Whakatāne, Ōpōtiki, and Rotorua Lakes District Councils wrote to the Department seeking assistance to explore the development of a multi-council WSCCO. • The final Plan was submitted on 3 September 2025. • On 19 September 2025, the Department held a workshop with KDC and Whakatāne, Ōpōtiki and Rotorua Lakes district councils, to assist with progressing their investigation of a joint WSCCO arrangement.

Detail	Commentary
Feedback provided to council prior to submission on draft Plan	<ul style="list-style-type: none"> <li data-bbox="539 284 2089 344">KDC provided the Department with a draft Plan for review on 7 August 2025. The Department responded on 15 August 2025 with feedback stating that from the assessment of the draft, the Department did not identify any material issues.
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 regulatory standards and requirements.
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. The implementation plan refers to the LTP for the actions for water service functions to remain financially viable. The Plan also provides sufficient details on the risks and constraints.
Revenue Sufficiency	The average projected residential charges for water services rise from \$837 to \$2,195 over 10 years, showing a 12.8% increase. Every year has a projected operating cash surplus for water services and there are projected operating surpluses in 2029/30 and 2030/31. Deficits are projected in the other eight years of the Plan due to funding depreciation.
Investment Sufficiency	The Plan demonstrates investment is sufficient to meet the requirements for growth, LOS and compliance. Investment is consistent with AMP and Infrastructure Strategy. Asset life remains stable due to expenditure on renewals, LOS and growth projects.
Financing Sufficiency	The Plan confirms sufficient funding and financing can be secured to deliver water services. Projected borrowings for water services are \$12m over 10 years. The Plan shows that the whole of council borrowings stays within LGFA's borrowing limit of 280% and an internal limit of 175% of net debt to revenue, and the projected water services borrowings stay within KDC's limit of 280%. There is also sufficient borrowing headroom for water services throughout the Plan. We note that in 2025/26 the projected water services FFO is over 12% so it could support a standalone water services organisation. This ratio is achieved through KDC's proposed pricing strategy.
Overall assessment recommendation	The overall recommendation from the assessment phase is to accept the plan from KDC.

Issues for discussion with panel

Issue	Description	Recommended treatment
<p>Average projected residential charges for water services</p>	<p>The average projected residential charges for water services rise from \$837 to \$2,195 over 10 years, showing a 12.8% increase.</p> <p>However, water charges remain affordable and are between 0.9% and 2.1% of median residential household income throughout the Plan.</p>	<p>We recommend that the pricing strategy is monitored during implementation.</p>

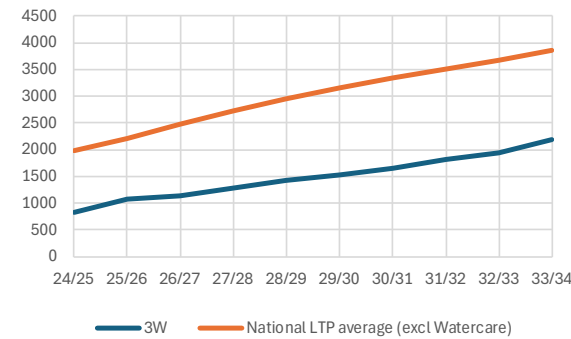
Council summary information

Summary information	Level
Current population	7,820
Drinking water connections	2,917
Wastewater connections	2,922
Stormwater connections	-
High growth council	No
10 year population growth	2.6%



Affordability and growth

Water services charge compare to national LTP average



Assets, network and compliance

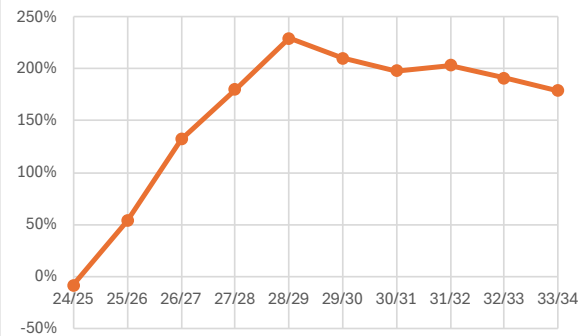
Asset measures	Year 1	Year 10	10 Year Average
Total assets per connection (\$)	15,201	25,215	21,081
Total debt per connection (\$)	2,055	3,952	3,621
Operating costs per connection (\$)	514	667	584
Age of network (years)	DW	WW	SW
Average age outlined in plan	20	51	56

Network performance	Level
Level of service performance measures achieved	91.7%
Water loss rate	30%
Average consumption (litres per person per day)	440

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

Financing

Net debt to operating revenue

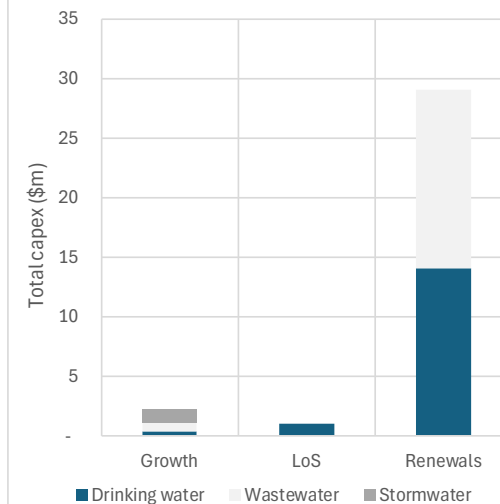


Capital expenditure	Category of capital expenditure			Total over 10 years
	Growth	Level of service	Renewals	
Drinking water	440	1,073	14,088	15,601
Wastewater	738	-	14,934	15,672
Stormwater	1,051	-	-	1,051
Total 10 years	2,229	1,073	29,022	32,324

Item	Year 1	Year 10	10 Year Average
Total charge as % of median income	0.90%	2.10%	1.52%
Annual price increase	N/A	12.70%	12.82%
DC collected per new connection (\$)	0	0	0

Item	Year 1	Year 10	10 Year Average
Water related net debt to operating revenue %	-9%	179%	157%
FFO to debt	-277.8%	16.5%	-10.8%
Whole of Council net debt to revenue (approx)	10%	15%	13%

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	The Plan states the KDC water service, as a ring-fenced IBU, is financially sustainable and will remain financially sustainable under projected costs and income models in the 2025-2034 LTP.	The Plan explains how the delivery of water services will be financially sustainable and that revenue is sufficient to cover long-term investment that meets the LOS, regulatory requirements and provides for growth.	Meets requirements	N/A
The proposed model to deliver water services	<p>KDC proposes to deliver water services through an IBU model. KDC resolved to continue to explore collaboration options and opportunities with Rotorua Lakes Council, Whakatāne District Council and Ōpōtiki District Council.</p> <p>Operation of the water services will be transferred to the IBU on 1 July 2026 with continued support from other council staff. The IBU will operate as a fully independent business unit from 1 July 2028.</p>	<p>The proposed model for an IBU to deliver water services is clear, with a transition from the current arrangements from 1 July 2026.</p> <p>The organisation structure is unchanged with governance proposed via the council committee structure.</p>	Meets requirements	N/A

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p>Implementing the proposed service delivery model</p>	<p>The following key milestones to achieve full ringfencing and compliance with legislation are:</p> <ul style="list-style-type: none"> • 1 July 2025 – Water services to be delivered in-house in the existing financial and management system until 30 June 2026; • 1 July 2026 – Water services operations will be transferred to an IBU on 1 July 2026, with continued support from other council departments and functions; • 30 June 2027 – A separate Water Services LTP 2027-37 and concurrent separate Infrastructure Strategy will be developed and implemented for the year commencing 1 July 2026; • 1 July 2028 – Establishment of independent water services IBU; • 1 July 2029 – All tobies upgraded and available to install meters; and • 1 July 2033 – Transition to fully fund water services from targeted rates completed. <p>Alongside this, KDC resolved to continue to explore collaboration options. The process for development of a multi-owned WSCCO is expected to commence late 2025 via a Waters Working Group with representatives from KDC, Rotorua Lakes District Council, Whakatāne District Council and Ōpōtiki District Council. A decision on whether to join a WSCCO is expected in early 2027.</p>	<p>The implementation plan includes all the information required in section 13(2) of the Preliminary Arrangements Act.</p> <p>The implementation plan outlines key milestones and dates with sufficient detail.</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>Consultation and engagement undertaken</p>	<p>Consultation on two water services delivery options – an IBU and multi-owned WSCCO – from 11 April 2025 to 23 May 2025. Consultation was carried out in parallel with the 2025-2034 LTP consultation process.</p> <p>KDC received 107 responses from the community and four responses from industry and commercial businesses. No initial responses were received from iwi, however subsequently Tūwharetoa Settlement Trust (BOP) have strongly endorsed KDC’s IBU option.</p> <p>Of the 107 community submissions received, 96% supported the IBU model, 1.9% supported the multi-council owned company, and 1.9% did not state a preference.</p>	<p>Consultation was carried out in accordance with the Preliminary Arrangements Act.</p> <p>The number of submissions represents approximately 1.4% of the population in the district.</p>	<p>Meets requirements</p>	<p>N/A</p>
<p>Assurance and adoption of the plan</p>				
<p>Council resolution to adopt the Plan</p>	<p>KDC adopted the Plan on 3 September 2025.</p>	<p>N/A</p>	<p>Meets requirements</p>	<p>N/A</p>
<p>Certification of the Chief Executive of KDC</p>	<p>The Chief Executive certified the Plan on 3 September 2025.</p>	<p>N/A</p>	<p>Meets requirements</p>	<p>N/A</p>

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>KDC has one drinking water and one wastewater scheme. Stormwater only comprises road run-off as all properties dispose of stormwater to soakage on-property.</p> <p>Population growth is less than three percent over the 10-year period. A new industrial area has been developed.</p> <p>Performance measures have generally been met, with water loss below the target (<600 litres per connection) and water consumption of 440 litres per person per day. Dirty water complaints have reduced following the shut-down of one spring supply.</p>	<p>The Plan provides detailed information on service areas, connections and growth. Growth investment is approximately \$19,000 per new connection. 117 new connections are expected over the next 10 years. There is currently spare capacity in the network and treatment plants.</p> <p>LOS are met.</p> <p>Water loss is being targeted by the renewals programme and residential connections are being made ready for the installation of meters at a future date.</p>	Meets requirements	N/A
Assessment of the current condition and lifespan of the water services network	<p>The average age of network assets is:</p> <ul style="list-style-type: none"> • Drinking water assets: 20 years • Wastewater assets: 51 years • Stormwater assets: 56 years. <p>All above and below ground assets have condition ratings with none recorded as being in poor or very poor condition. The networks were installed from 1955 onwards. Renewals in recent years have focused on areas of the town which are in a poor condition due to geothermal conditions.</p>	<p>The condition and performance information provided in the Plan is suitable to enable planning of maintenance, renewals and capital and operating expenditure in the long term.</p> <p>Critical assets are identified, and the condition assessment programme is on-going.</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>All water services are currently managed and executed internally by KDC through its own personnel. KDC employs in-house asset management and project management staff to manage and maintain all infrastructure and supply systems. For specialised engineering services, external consultants and contractors are engaged as necessary. Major infrastructure upgrades, replacements, and installations are predominantly contracted out to external firms.</p> <p>Asset management systems are in place. The Plan states KDC evaluates assets earmarked for renewal based on age and anticipated lifespan, conducting visual inspections, sampling, failure history and CCTV assessments to determine which segments need replacement or relining.</p>	<p>The Plan provides detailed information on KDC's asset management process. The asset maturity assessment was independently assessed in 2017 and improvement actions were completed by 2024 to close gaps to intermediate-level practice.</p>	Meets requirements	N/A
Statement of regulatory compliance	<p>Treatment and network currently comply with DWQAR. KDC plans to install manganese removal for one of the spring sources to reduce dirty water complaints (supply currently not used). Kawerau's water has been fluoridated since 2024.</p> <p>No non-compliances or enforcement actions are reported in the Plan. Kawerau's principal water sources are the borefield in Tarawera Park and two springs. The borefield water take consent expires in 2026. The water take consents for the two springs expired in 2012, and a new comprehensive water take consent was submitted in 2024.</p> <p>Wastewater discharge and biosolids processing consents will be renewed during 2032.</p> <p>There are seven stormwater discharge consents (one is expired and five expire in the next 10 years).</p>	<p>Water supply is compliant and investment to address aesthetic issues with manganese is provided.</p> <p>Appropriate investment has been provided to maintain compliance with resource consents. Treated wastewater discharges to a rapid infiltration system. Requirements of the wastewater environmental performance standards will be considered prior to the expiry of the discharge consent in 2032. Budgets are provided for consent renewals.</p>	Meets requirements	N/A

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	Growth capex is provided for two small residential developments. There is significant spare capacity in the treatment plants and network. Over the 10 years of the Plan, pipe replacement will focus on asbestos cement water mains (during the first five years) and older wastewater pipes.	Appropriate investment has been provided for renewals, growth and LOS.	Meets requirements	N/A
Historical delivery against planned investment	94% of planned investment has been delivered on average over the last seven years. Actual investment has typically been about \$2.3m per year.	There is a modest uplift in the capex programme (approximately 40%) over the life of the Plan, with a peak in 2026/27-2028/29. External resources will be brought in to support the delivery of major projects.	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
Revenue and charging arrangements				
Charging and billing arrangements	Current and proposed charges are stated in the Plan. Council is currently phasing-in the funding of its water and wastewater services totally from targeted rates (fully funded by FY 2033/34).	Charging and billing arrangements are outlined in the Plan.	Meets requirements	N/A
Water services revenue requirements and sources	Operating revenue is broken down by sources as well as by activity.	The Plan provides sufficient details on water services revenue requirements and sources.	Meets requirements	N/A
Existing and projected commercial and industrial users' charges	Charges for commercial and industrial properties are outlined in the Plan and some charges increase more than tenfold over the planning period.	Commercial and industrial property increases are high to start as they are off a low base, but this is not material over the Plan.	Meets requirements	N/A
The affordability of projected water services charges for communities	Water charges will remain between 0.9% and 2.1% of median residential household income throughout the Plan.	The affordability of projected water services charges meets the Department's guidance of 2.5% of median household income.	Meets requirements	N/A
Funding and financing arrangements				
Water services financing requirements and sources	The Plan confirms that borrowing will be through LGFA.	Water services financing requirements and sources are outlined in the Plan.	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Internal borrowing arrangements	There are no internal borrowing arrangements.	KDC do not have any internal borrowing arrangements.	Meets requirements	N/A
Determination of debt attributed to water services	All council loans were raised to fund the water supply reticulation replacement works. The council has no other loans.	The determination of debt attributed to water services is clearly outlined in the Plan.	Meets requirements	N/A
Insurance arrangements	KDC has the appropriate insurance in place to cover the replacement and/or repair of buildings, infrastructure and other water services assets that are damaged due to a disaster.	There are sufficient details on the insurance arrangements for water services.	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 confirms that the proposed delivery of water services via a ringfenced IBU financially sustainable, and will remain financially sustainable under projected costs and income models over the planning period.	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	None required.	No further actions beyond those in the Plan are required to become financially sustainable.	Meets requirements	N/A
Risks and constraints to achieving financially sustainable delivery of water services	Risks and constraints to achieving financially sustainable delivery of water services are outlined in the Plan, with mitigations that are appropriate to the risks considered.	The Plan provides sufficient details on the risks and constraints.	Meets requirements	N/A
Assessment of revenue sufficiency				
Projected water services revenues cover the projected costs of delivering water services	The projected revenue is less than projected expenditure for most of the ten years of the Plan, as KDC is committed to fully funding depreciation with a transitional approach.	The Plan's projected water services revenues cover the projected costs of delivering water services excluding depreciation.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Average projected charges for water services over 2024/25 to 2033/34	<p>The average increase per residential connection is 12.8% over the 10 years of the Plan. Average projected residential charges for water services rise from \$837 in year one to \$2,195 in year 10.</p> <p>Commercial and industrial property charges are also shown, however at a per unit level rather than average, due to the large differences.</p>	<p>The average projected residential charges for water services rise from \$837 to \$2,195 over 10 years, showing a 12.8% increase.</p> <p>Increases in charges could create a revenue collection risk. We recommend the pricing strategy is monitored during implementation.</p>	Meets requirements	Yes
Projected operating surpluses/(deficits) for water services	An operating deficit is projected in eight of the ten years covered. This ranges between 17.5% and 1.6%. There are projected operating surpluses for water services in 2029/30 and 2030/31.	Deficits projected in eight years of the Plan are due to funding depreciation.	Meets requirements	N/A
Projected operating cash surpluses for water services	There is sufficient operating cash surplus. The operating cash ratio for the combined 10 years of the Plan is 38%; ranging between 30.8% and 43.6%.	Every year of the Plan has a projected operating cash surplus for water services.	Meets requirements	N/A
Assessment of investment sufficiency				
Projected water services investment is sufficient to meet levels of service, regulatory requirements and provide for growth	A total of \$32m capex is identified over the 10 years of the Plan.	The Plan demonstrates that investment is sufficient to meet the requirements for growth, LOS and compliance.	Meets requirements	N/A
Renewals requirements for water services	The asset sustainability ratio is positive for the first five years of the plan and slightly negative for the last five years. This reflects the focus on the water network renewals over the first five years.	Investment is consistent with AMP and Infrastructure Strategy.	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 varies over the period. Upfront investment is to service growth and LOS investment.	Investment is consistent with AMP and Infrastructure Strategy.	Meets requirements	N/A
Average remaining useful life of network assets	Asset consumption ratio is stable.	Remaining asset life is stable due to expenditure on renewals, LOS and growth projects.	Meets requirements	N/A
Assessment of financing sufficiency				
Confirmation that sufficient funding and financing can be secured to deliver water services	Financing and borrowing headroom are calculated against debt to revenue ratio.	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 total council net debt to operating revenue, including water services debt, does not exceed 55% during the planning period.	The Plan shows that the whole of Council borrowings stays within LGFA's borrowing limit of 280% of net debt to revenue.	Meets requirements	N/A
Projected water services borrowings against borrowing limits	Water services borrowing will peak around 2028/29 and remain within internal policy borrowing limits, which has been set to 280%.	The Plan shows that the projected water services borrowings stay within KDC's limit of 280% and an internal limit of 175% of net debt to revenue.	Meets requirements	N/A
Projected borrowings for water services	Net debt attributed to water services goes up for the first five years but then goes down again. Net debt to operating revenues peaks at 229% in 2028/29 and ends the planning period at 179%.	Projected borrowings for water services are \$12m over the 10 years of the Plan.	Meets requirements	N/A
Borrowing headroom/(shortfall) for water services	Borrowing headroom calculated against debt revenue. There is sufficient headroom throughout the planning period.	There is sufficient borrowing headroom for water services throughout the Plan.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Free funds from operations	FFO in the first year is negative, however this is due to total net debt being negative. Otherwise, it fluctuates between 40.0% and 11.1%; and ends the planning period at 16.5%.	FFO is not assessed for an IBU. However, we note that in 2025/26 the projected water services FFO is over the 12% which could support a standalone water services organisation. KDC achieves this because of its proposed pricing strategy.	N/A	N/A
Assessment of financing sufficiency	The funding and financing arrangements in the Plan are sufficient to meet financing 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	The projected funding impact statement is shown for individual waters as well as combined water services.	Meets requirements.	N/A
Projected statement of comprehensive revenue and expense	The statement of comprehensive revenue and expenses is shown for individual waters as well as combined water services.	Meets requirements.	N/A
Projected statement of cashflows	Cashflows are shown for individual waters as well as combined water services.	Meets requirements.	N/A
Projected statement of financial position	The balance sheet is shown for individual waters as well as combined water services.	Meets requirements.	N/A

Assessment Report: Part E – Financial projections and measures

Projected statement of comprehensive revenue and expense

Water Services Delivery Plan pages 104 - 107

Projected statement of financial position

Water Services Delivery Plan pages 112 - 115

Financial measures: revenue sufficiency

Water Services Delivery Plan pages 84 - 85

Financial measures: investment sufficiency

Water Services Delivery Plan pages 85 - 87

Financial measures: financing sufficiency

Water Services Delivery Plan pages 87 - 88

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	The projected capital investment for the three water services described in the LTP are listed in a table under the Capital Expenditure section of the Plan.	Meets requirements	N/A
Key issues, constraints, risks and assumptions	Key risks and mitigations are provided in the Plan.	Meets requirements	N/A