

# Water Services Delivery Plan Assessment

## Assessment Report – Mackenzie District Council Amended Plan

**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
Department of Internal Affairs	Department
Drinking Water Quality Assurance Rules	DWQAR
Funds from operations	FFO
In-house business unit	IBU
Infrastructure Strategy	IS
Levels of Service	LOS
Local Government Funding Agency	LGFA
Local Government (Water Services Preliminary Arrangements) Act 2024	Preliminary Arrangements Act
Long-term plan	LTP
Mackenzie District Council	MDC
Timaru District Council	TDC
Wastewater treatment plant	WWTP
Water Services Council Controlled Organisation	WSCCO
Water Services Delivery Plan	Plan

# Assessment Cover Sheet

## Background on council and engagement with the Department

Detail	Commentary						
<b>Councils involved in plan</b>	Mackenzie District Council						
<b>Number of connections</b>	<table> <tr> <td>MDC Drinking water: 3,182</td> <td>WSCCO: 25,234</td> </tr> <tr> <td>MDC Wastewater: 2,959</td> <td>WSCCO: 19,373</td> </tr> <tr> <td>MDC Stormwater: 3,645</td> <td>WSCCO: N/A</td> </tr> </table>	MDC Drinking water: 3,182	WSCCO: 25,234	MDC Wastewater: 2,959	WSCCO: 19,373	MDC Stormwater: 3,645	WSCCO: N/A
MDC Drinking water: 3,182	WSCCO: 25,234						
MDC Wastewater: 2,959	WSCCO: 19,373						
MDC Stormwater: 3,645	WSCCO: N/A						
<b>DIA comment on council engagement during Plan development process</b>	<p>MDC previously submitted a Plan in September 2025 that proposed continuing to deliver water services through an existing in-house business unit. The Plan acknowledged key funding and financing challenges that negatively impacted the affordability of future delivery, particularly for major capital investment required beyond the 10-year period required by the Plan.</p> <p>Following assessment and review by the Panel, a recommendation was made to the Secretary for Local Government to accept the Plan.</p>						
<b>Feedback provided to council prior to submission of Plan</b>	<p>The Secretary raised several concerns with the original plan, being:</p> <ul style="list-style-type: none"> <li>Planned wastewater upgrades were not included in the 10-year window covered by the Plan and the risk that faster or greater than expected population or tourism growth may impact regulatory compliance without the upgrades being brought forward, subsequently impacting the financial viability of water services delivery.</li> <li>Funding for growth may not be sufficient if population growth is faster than expected.</li> <li>Deliverability of capital investment programme given a 58% increase in average delivery over the prior seven years. The plan provided no assurance of delivery capability to achieve this uplift in capital delivery.</li> <li>There was no provision of insurance arrangements for below ground assets and a reliance on central government funding for assistance and repairs in case of a natural disaster risking potential under insurance and compounding financial sustainability issues.</li> </ul> <p>For these reasons the Plan was not accepted, and an amended Plan was required to be submitted.</p> <p>The Department has provided support to MDC to enable an amended plan to be submitted. The amended plan is the subject of this assessment report.</p>						

Detail	Commentary
<b>Engagement with council during review and assessment process</b>	N/A
<b>Other Background Comments</b>	<p>MDC spent time assessing the possibility of joining Southern Water Done Well with TDC and Waitaki to form a six-council WSCCO, noting that each council needed to make decisions that were in the best interests of their respective communities.</p> <p>In February 2026, MDC resolved to partner with TDC to establish a joint WSCCO.</p> <p><b>The amended Plan that has been submitted has not changed in terms of proposed capital delivery, but the concerns raised by the Secretary for Local Government are addressed through the greater scale and borrowing capacity, improved technical capability, and strengthened delivery capability and programme oversight that the establishment of a WSCCO with TDC will bring. In particular, the capital programme will continue to be reviewed through Asset Management Plans and Water Services Strategy processes, and future WSCCO planning to ensure the timing and scope of these projects remain appropriate as growth projections and regulatory requirements evolve.</b></p> <p>In this assessment where possible we have calculated the outcomes of the joint WSCCO, however, in most cases the Plan submitted only refers to outcomes for MDC.</p>

## Assessment Summary

Section	Commentary
<b>Confirmation of legislative completeness checklist</b>	Yes – all required components completed.
<b>General Comment on Plan</b>	<p>The Plan shows MDC’s three waters activities demonstrate financial sustainability, with sufficient revenue to cover the costs, and sufficient investment to meet relevant regulatory standards. The last page of the amended Plan details MDC’s response to the four issues / risks raised by the Secretary on the previous Plan. The primary mitigation to address these risks has been the decision to establish the joint WSCCO.</p> <p>The Plan notes that MDC intends to establish an asset-owning WSCCO in conjunction with TDC to deliver drinking water and wastewater services. However, the WSCCO numbers in the Plan also include stormwater services. For the purpose of this assessment we have calculated the WSCCO numbers for the delivery of MDC and TDC’s drinking water and wastewater services.</p> <p>In respect of stormwater - TDC’s Plan stated that TDC intend to deliver Stormwater by an IBU model. MDC stormwater assets will continue to be owned by MDC, with delivery provided by the WSCCO via a service agreement. MDC will ensure that stormwater services revenue continues to be ringfenced to separate it from council finances, and will ensure the appropriate oversight of the stormwater delivery priorities and investment programme to adhere to regulations.</p>
<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. Actions required to achieve financially sustainable delivery of water services are outlined in the Plan, along with key risks.
<b>Revenue Sufficiency</b>	<p>MDC’s Plan states the average projected water services charges per connection for all three waters start at \$1,420 rising to \$2,742 over the 10-year Plan, an increase of 93%. Affordability rises from 1.7% to 2.4% of medium household income over the period.</p> <p>The amended plan did not include any proposed changes to the price path. Our calculations show the WSCCO average projected water services charges per connection for two waters start at \$1,188, rising to \$2,377 over 10 years, an increase of 100%. For two waters, affordability rises over the period from 1.4% to 2%, peaking at 2.1% in 2029/20.</p> <p>Projected WSCCO revenues cover the projected costs of delivering water services from year nine. There are projected cash surpluses every year, however projected operating surpluses are only in the last three years of the 10-year Plan.</p>

Section	Commentary
<b><i>Investment Sufficiency</i></b>	<p>The amended Plan has not changed the proposed capital investment for MDC with the Plan including the same significant projects, with no additions, removals, or rescoping. However, the Plan does reference that by participating in the WSCCO, the revenue modelling structure, financing capacity and delivery structure has changed to provide more certainty on delivery of the programme. The amended Plan does include the investment plan for the WSCCO, and hence the asset sustainability, investment and consumption ratios reflect the WSCCO investment plan. The amended Plan recognises that the capital programme, particularly wastewater upgrades cannot be reliably delivered under the original IBU model. The Plan elevates drinking water compliance projects as non-negotiable, even alongside the wastewater project peaks. The Plan still references significant investment for wastewater beyond the 10-year period but states that the establishment of a WSCCO with TDC will bring greater scale and borrowing capacity, improved technical capability, and strengthened delivery capability and programme oversight that will assist to manage this investment in later years.</p>
<b><i>Financing Sufficiency</i></b>	<p>The Plan confirms sufficient funding and financing can be secured to deliver water services. The WSCCO is expecting to be well within their 500% net debt to revenue borrowing and the borrowing headroom is sufficient throughout most of the planned period to cover unforeseen events or costs.</p> <p>Our calculations show projected borrowings for the WSCCO (for two waters) increase from \$125.7m in 2024/25 to \$220.3m in 2033/34. However, the WSCCO FFO to debt ratio drops to 5.8% in 2027/28, which is below LGFA's 9% limit for entities with over 20,000 connections, and rises above this from 2031/32.</p> <p>We note that the projected whole of Council borrowings for MDC is not disclosed in this plan which limits our ability determine the financial sustainability of Stormwater services.</p>
<b><i>Overall assessment recommendation</i></b>	<p>The overall recommendation from the assessment phase is to <b>accept</b> the plan from MDC.</p>

## Issues for discussion with Panel

Issue	Description	Recommended treatment
<p><b>Free funds from operations</b></p>	<p>The WSCCO FFO to debt ratio starts at 10.8% reducing to 5.8% in 2027/28, then rises to 10% in 2031/32, finishing at 12.3% in 2033/34. However, this does not meet the LGFA requirements of 9% for entities with over 20,000 connections so they will need a bespoke five-year transition funding arrangement with the LGFA.</p>	<p>We recommend the WSCCO work with the LGFA to obtain the funding required through a five-year transition agreement.</p>
<p><b>Mitigation of risks raised by Secretary</b></p>	<p>Page 54 notes the primary mitigation to address these risks is the decision to establish the joint WSCCO.</p> <p><b>Planned wastewater upgrades not included in the Plan</b> - <i>Major wastewater treatment plant upgrades (Tekapō, Fairlie, Twizel) are planned beyond the 10-year horizon and have been repeatedly deferred, creating financial risk if growth pressures require earlier investment.</i></p> <p>These projects are included within the Plan’s 30-year investment pathway and are driven largely by consent expiry dates and anticipated future environmental standards. The Plan introduces a step-change in water services revenue and borrowing capacity to ensure these long-term investments can be funded when required. MDC’s establishment of a joint WSCCO with TDC, will provide greater scale and borrowing capacity to deliver these upgrades. The capital programme will continue to be reviewed through Asset Management Plans, the LTP and Water Services Strategy processes, and future WSCCO planning to ensure the timing and scope of these projects remain appropriate as growth projections and regulatory requirements evolve.</p> <p><b>Funding for growth</b> - <i>If population growth exceeds projections, current funding settings may be insufficient to meet the infrastructure costs associated with additional demand.</i></p> <p>The Plan incorporates projected population and visitor growth into the capital investment programme and financial modelling. MDC’s 30-year investment pathway has been designed to ensure infrastructure investment supports growth while maintaining regulatory compliance and service levels.</p> <p>Revenue increases, including targeted rates and user charges, are proposed to strengthen borrowing capacity and enable the required capital investment. MDC also intends to explore additional funding sources such as development or financial contributions, trade waste charges, and other growth-related funding mechanisms through the 2027 LTP and future WSCCO financial strategy.</p>	<p>We recommend these items continue to be monitored during implementation of the WSCCO Plan.</p>

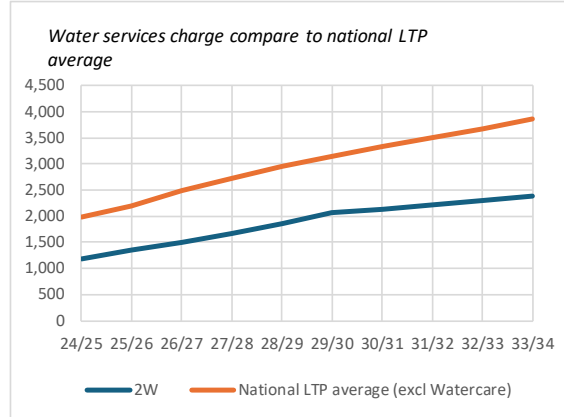
	<p>Growth projections are reviewed and updated as part of each LTP process, and MDC is currently recommencing this work for the 2027–37 LTP. This will ensure both MDC and the future WSCCO have updated population and development forecasts to inform future infrastructure investment and programme timing.</p> <p><b>Deliverability of capital investment programme</b> - <i>The planned \$69m capital programme represents a significant increase in delivery compared to recent years, creating a risk that limited delivery capability could delay projects and affect regulatory compliance.</i></p> <p>MDC acknowledges that the planned capital investment programme represents a significant increase in delivery compared with historical levels. The Plan includes several actions to strengthen delivery capability and programme oversight.</p> <p>MDC is increasing dedicated water services staffing, including roles in asset management, capital projects, compliance and finance, to support improved planning and programme delivery. In addition, MDC’s establishment of the joint WSCCO is expected to provide greater scale, technical capability and organisational capacity for infrastructure delivery.</p> <p>The capital programme will continue to be reviewed annually and further refined through updated Asset Management Plans, the LTP and Water Services Strategy. These processes will improve confidence in project scope, cost estimates and delivery sequencing while ensuring the programme remains aligned with regulatory requirements and growth pressures.</p> <p><b>Insurance arrangements</b> - <i>Limited insurance coverage for underground assets may expose Council to financial risk following major infrastructure damage.</i></p> <p>MDC is actively reviewing its insurance arrangements and as part of the establishment of the joint WSCCO additional insurance arrangements will be implemented for Mackenzie’s assets.</p>	
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**CCO summary information**

Summary information	Level
Current population	52,662
Drinking water connections	25,234
Wastewater connections	19,373
Stormwater connections	-
High growth council	No
10 year population growth	2.5%



**Affordability and growth**



**Assets, network and compliance**

Asset measures	Year 1	Year 10	10 Year Average
Total assets per connection (\$)	31,718	39,883	36,472
Total debt per connection (\$)	5,634	9,123	8,362
Operating costs per connection (\$)	422	772	690

Age of network (years)	DW	WW	SW
MDC average age outlined in plan	28	38	33
TDC average age outlined in plan	46	60	60

**Network performance**

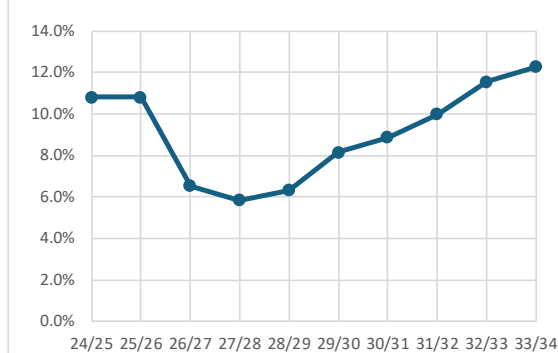
Age of network (years)	Level of Service achieved	Water loss rate	Consumption
Outlined in MDC's Plan	69%	28%	1200
Outlined in TDC's Plan	94%	28%	299

**Compliance addressed in the Plan**

Drinking water compliance	Yes
Resource consent compliance	Yes

**Financing**

FFO to debt ratio



Capital expenditure	Category of capital expenditure			Total over 10 years
	Growth	Level of service	Renewals	
Drinking water	12,595	62,535	106,468	181,598
Wastewater	36,288	12,319	50,639	99,246
Stormwater	-	-	-	-
<b>Total 10 years</b>	<b>48,883</b>	<b>74,854</b>	<b>157,107</b>	<b>280,844</b>

Item	Year 1	Year 10	10 Year Average
Total charge as % of median income	1.40%	2.05%	1.85%
Annual price increase	8.70%	3.56%	8.15%
DC collected per new connection (\$)	N/A	2,932	2,639

Item	Year 1	Year 10	10 Year Average
Water related net debt to operating revenue %	331%	320%	365%
FFO to debt ratio	10.8%	12.3%	9.1%

**Capex spend by type, 10 year total**



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

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Delivery model and implementation</b>				
<b>Financially sustainable water services provision</b>	The Plan sets out how a joint WSCCO established with TDC will achieve financially sustainable delivery of drinking water and wastewater services by 30 June 2028. Stormwater will be managed by MDC via an in-house business unit.	The Plan as presented 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 Plan proposes a structural change to how water services are delivered in MDC, moving away from an inhouse council model to a joint WSCCO with TDC. The model is designed to:</p> <ul style="list-style-type: none"> <li>Improve regulatory compliance</li> <li>Increase financial and borrowing capacity</li> <li>Strengthen delivery capability for a large capital programme</li> <li>Provide greater assurance to central government and regulators</li> </ul> <p>Drinking water and wastewater services assets including Trade waste will be transferred to the WSCCO.</p> <p>Revenues will be ring-fenced within the WSCCO, and borrowing will be undertaken by the WSCCO benefiting from higher debt capacity.</p> <p>Stormwater assets will remain with MDC, and the delivery and maintenance of stormwater will be provided by WSCCO under a service agreement.</p>	The Plan outlines how MDC will join with TDC to form a WSCCO for providing drinking water and wastewater services with an operational go-live date of 1 July 2027 and that stormwater will be retained by MDC.	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>The Plan proposes a phased, managed transition from council delivered water services to a joint WSCCO with Timaru District Council.</p> <p>Target date for full operational delivery by the WSCCO is 1 July 2027, with the following phases:</p> <ul style="list-style-type: none"> <li>• Phase 1: Initial Commitments and Setup (March 2026)</li> <li>• Phase 2: Governance and Structural Design (April 2026)</li> <li>• Phase 3: Early Establishment (May–December 2026)</li> <li>• Phase 4: Late Establishment and Transition (January–June 2027)</li> <li>• Phase 5: “Day One” Operations (1 July 2027)</li> </ul>	<p>The Plan outlines that MDC and TDC are already underway with establishment and transition planning (Phase 1).</p> <p>No information is provided in the Plan on how MDC will separate and ringfence Stormwater activities. We recommend that this is monitored.</p>	Meets requirements	<p>N/A</p> <p>For noting</p>

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Consultation and engagement undertaken</b>	<p>The Plan notes previous public consultation occurred prior to the submission of the first Plan that was not accepted by the Secretary of Local Government.</p> <p>There has been no further public consultation prior to the development of this Plan.</p> <p>The Plan:</p> <ul style="list-style-type: none"> <li>• Reuses the outcomes of the 2025 consultation</li> <li>• Outlines how circumstances have changed after the decision by the Secretary of Local Government.</li> </ul> <p>The Plan outlines:</p> <ul style="list-style-type: none"> <li>• The community preference for inhouse delivery is acknowledged and recorded</li> <li>• The shift to a WSCCO model was not driven by a change in public opinion but by the Secretary for Local Governments decision to not accept the original plan.</li> </ul>	N/A	Meets requirements	N/A
<b>Assurance and adoption of the plan</b>				
<b>Council resolution to adopt the Plan</b>	The Council resolved to adopt the Plan on 24 March 2026.	N/A	Meets requirements	N/A
<b>Certification of the Chief Executive of Mackenzie District Council</b>	The Chief Executive certified the Plan on 26 March 2026.	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>				
<p><b>Serviced population and serviced areas</b></p>	<p><b>The Plan provides information for MDC only and does not reflect the WSCCO</b></p> <p>The serviced population for water supply is 3,930, concentrated in Fairlie, Tekapō / Lake Tekapo (Lake Tekapo) and Twizel (60% as of 2022). The service population for wastewater is 3,695 and stormwater is 3,645.</p> <p>The population grew 40% from 2006 to 2020, with a 68% increase forecast by 2054 (5,690 to 9,565 residents). Peak demand is driven by summer visitors, with 35,600 peak day visitors in 2024.</p> <p>Water supply areas include Fairlie, Lake Tekapo, Twizel, Kimbell, Burkes Pass, Allandale and Albury, with mixed-use rural schemes in Albury. Wastewater services cover Fairlie, Lake Tekapo, Twizel and Burkes Pass. Stormwater catchments include Fairlie, Lake Tekapo, and Twizel.</p> <p>Planned growth areas in Twizel, Lake Tekapo and Fairlie are funded in the LTP, with wastewater upgrades and stormwater expansions, including flood protection.</p> <p>LOS measures and results from 2023/24 show MDC faces non-compliance with Parts 4 &amp; 5 DWQAR, lacks approved water safety plans, exceeds water loss targets, and has unmet performance targets for complaints and ratepayer satisfaction. One sewerage discharge data reporting measure was non-compliant.</p>	<p>The Plan only describes MDC service areas, connections and growth. It does not include information pertaining to TDC.</p> <p>Current LOS are not being met including water losses (less than 25%), real water losses 26% average consumption 1.2m<sup>3</sup>.</p> <p>Mackenzie does not fluoridate water.</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
<b>Assessment of the current condition and lifespan of the water services network</b>	<p><b>The Plan provides information for MDC only and does not reflect the WSCCO</b></p> <p>The average age of water assets is:</p> <ul style="list-style-type: none"> <li>• Drinking water: 25–30 years</li> <li>• Wastewater: 35–40 years</li> <li>• Stormwater: 30–35 years</li> </ul> <p>Above ground asset conditions ratings are available for the following percentages of the network:</p> <ul style="list-style-type: none"> <li>• Drinking water: 80%</li> <li>• Wastewater: 75%</li> <li>• Stormwater: 65%</li> </ul> <p>Below-ground network ratings are available for the following percentages of the network:</p> <ul style="list-style-type: none"> <li>• Drinking water: 85%, with 20% of assets in poor or very poor condition</li> <li>• Wastewater: 70%, with 56% of assets in poor or very poor condition</li> <li>• Stormwater: 50% for stormwater, with 12% of assets in poor or very poor condition</li> </ul> <p>No data is available for critical assets.</p>	<p>The Plan outlines the existing condition of MDC assets, and the information is suitable to plan maintenance, renewals, and capital and operating plans in the long term. Critical assets are not identified. CCTV assessments have been undertaken to inform renewals.</p>	Meets requirements	N/A
<b>Asset management approach</b>	<p>MDC follows the International Infrastructure Management Manual 2015 framework for asset management. AMP are updated every three years. Asset data collection is ongoing, with systems like AssetFinda, ArcGIS, and SCADA (Supervisory Control and Data Acquisition) in use.</p>	<p>The Plan provides high level information on MDC’s asset management process. We note that no maturity assessment has been provided. We recommend that MDC undertake an independent formal asset management maturity assessment for drinking water, wastewater and stormwater.</p>	Meets requirements	N/A

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Statement of regulatory compliance - drinking water</b>	<p>The Plan maintains the existing list and timing of drinking water upgrades, but assurance of delivery is provided through the participation in the WSCCO.</p> <p>The Plan explicitly identifies drinking water compliance as a non-negotiable outcome. Compliance actions are consistent, but more certainty is implicit through the WSCCO.</p> <p>Firefighting infrastructure is insufficient, with Allandale and Burkes Pass requiring tanks due to a lack of hydrants. Allandale needs a future resource consent for water take transfer to Fairlie.</p> <p>Allandale and Albury water supplies lack sufficient barriers to meet protozoa requirements. Water treatment compliance is negative across the district for protozoa, bacterial, and chemical standards, requiring process upgrades.</p> <p>Metering is being introduced to improve water use efficiency. MDC does not fluoridate water.</p>	The investment plan budgets address specific compliance requirements.	Meets requirements	N/A
<b>Statement of regulatory compliance – resource consents</b>	<p>No expired consents are operating under section 124 of the Resource Management Act 1991. No active resource consent applications are underway. Four resource consents are expiring within 10 years.</p> <p>Wastewater treatment compliance is inconsistent, with volumes exceeding permitted levels in some cases. Stormwater consent compliance during construction phases is variable. WWTP upgrades are planned, supported by \$51.2m in compliance-related capital expenditure over the 10-year Plan.</p>	The investment plan budgets address specific compliance requirements.	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>The Plan shows no change from the previous capital delivery programme but notes that the programme will benefit from the advantages of a WSCCO.</p> <p>Over the 10-year Plan, \$69m in capital expenditure is planned to improve compliance, LOS, and accommodate 68% growth over 30 years. This includes \$36.2m for additional demand, \$18.9m for LOS improvements, and \$13.9m for asset replacement.</p> <p>Major water services investments are front-loaded, with 21% in the next 10 years and 45% in the following decade, aligning with wastewater consent expiries. Investment aligns to LTP and IS.</p>	<p>The Plan includes sufficient investment to achieve compliance, growth and LOS in MDC. Renewals are appropriate albeit still tracking lower than depreciation.</p>	<p>Meets requirements</p>	<p>N/A</p>
<b>Historical delivery against planned investment</b>	<p>Historic investment was not provided in the amended Plan, and hence the assessment refers to the previous plan.</p>	<p>The previous Plan stated that the capital programme has been delivered at 92% in 2024/25, which is lower than future planned investment. To mitigate this, additional staff resources are proposed in the Plan and through the participation in the WSCCO this will also provide more certainty in deliverability.</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
<b>Revenue and charging arrangements</b>				
<b>Charging and billing arrangements</b>	<p>Current and proposed charges are stated in the Plan. Volumetric charging has begun for urban water supplies as smart water meters are installed across all connected properties in the district.</p> <p>No changes are proposed for stormwater charging and billing arrangements, these are a fixed charge per SUIP.</p>	The Plan outlines charging and billing arrangements.	Meets requirements	N/A
<b>Water services revenue requirements and sources</b>	<p>MDC does not currently charge development contributions. MDC, TDC and the WSCCO will continue to review and update its Development and Financial Contributions Policy to meet any changes to relevant legislation and ensure developers pay a proportionate cost of capital expenditure necessary to service growth.</p> <p>The WSCCO will derive revenue for drinking water and wastewater via targeted fixed charges and/or user charges, and MDC will collect revenue for stormwater via targeted fixed charges. No revenue will be sourced from general rates that cannot be directly attributed to water services.</p> <p>MDC does not maintain separate reserve accounts for the water services activity. This approach will be implemented so any reserves are clearly identifiable and separate from the rest of Council.</p>	The Plan provides sufficient detail in its Financial Statements, which breaks down MDC's and TDC's consolidated operating revenue and sources by water activity.	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Existing and projected commercial and industrial users' charges</b>	<p>MDC's intention was to keep water supply charges low for below average users, with high users paying a fairer share of their actual usage. A 2024/25 analysis of Twizel water meters shows that 10% of connected properties consume 49% of the total metered water volume. Currently these ratepayers pay the same amount as the rest of the district, so their usage is being significantly subsidised by average and low user.</p> <p>The WSCCO will potentially have differential wastewater charges based on connection size to account for domestic and non-domestic connections and may have trade waste charges.</p>	<p>Projected commercial or industrial user charges are not separated out in the Plan.</p>	<p>Meets requirements</p>	<p>N/A</p>
<b>The affordability of projected water services charges for communities</b>	<p>The projected charges for three waters will rise from 1.7% of median household income to 2.4% by the end of the planning period.</p>	<p>MDC's affordability ratio for three waters rises from 1.7% to 2.4% of medium household income over 10 years.</p> <p>Our calculation shows that for two waters affordability rises over the period from 1.4% to 2%, peaking at 2.1% in 2029/20 - well within the Departments guidance of 2.5% of median household income.</p>	<p>Meets requirements</p>	<p>N/A</p>
<b>Funding and financing arrangements</b>				
<b>Water services financing requirements and sources</b>	<p>The Plan states that borrowing will be through LGFA.</p> <p>The financial strategy for funding water services notes:</p> <ul style="list-style-type: none"> <li>• rates/fees and charges will cover operating expenditure and debt repayments</li> <li>• development contributions will fund limited growth-related capital expenditure</li> <li>• borrowing will finance capital expenditure to maintain or improve levels of service</li> <li>• depreciation funding will support renewal capital expenditure, both for current needs and investment for future renewals.</li> </ul>	<p>Water services financing requirements and sources are outlined in 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
<b>Internal borrowing arrangements</b>	All new borrowing past 1 July 2025 is assumed to be external. However, internal borrowings may be considered on cost/benefit analysis of expected returns on the investment versus costs of borrowing and the liquidity position of the Council.	The Plan outlines when internal borrowing arrangements can be considered with a Council resolution and ringfencing.	Meets requirements	N/A
<b>Determination of debt attributed to water services</b>	MDC had the following loans as of 30 June 2024: <ul style="list-style-type: none"> <li>Urban Water activity: \$0.2m</li> <li>Allendale Water Scheme: \$9.2m</li> </ul> Also, the reserve account for Urban Water is in deficit: \$4.8m (this could be considered an internal loan but has not been formalised as such).	The determination of debt attributed to water services is sufficiently detailed in the Plan.	Meets requirements	N/A
<b>Insurance arrangements</b>	Above ground assets are insured. Below ground assets are not insured. MDC keeps a \$3m cash reserve balance to part-fund any repairs and relies on Central Government assistance for any repairs because of any natural disaster. MDC is currently exploring insurance arrangements for these assets, with the intention to secure insurance ahead of or as part of WSCCO establishment.  The WSCCO will also require additional insurances, including directors' and officers' insurance and business continuity insurance to manage revenue risk in the event of a natural disaster. The WSCCO may consider potential different approaches to insurance, including the level of excess and self-insurance it is willing to accept.	There are limited insurance arrangements provided in the Plan and MDCs below ground assets are not insured. MDC is currently exploring insurance arrangements which intend to be in place prior to or part of the WSCCO establishment. We would note that TDC has insurance with the Local Authority Protection Programme (LAPP) covering underground reticulation and TDCs Plan notes that the WSCCO will have existing insurance arrangements transferred from council.  We recommend that this is monitored during implementation.	Meets requirements	For noting

## 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>	<p>MDC is confident that water services delivery will become financially sustainable by 30 June 2028. The shift from in-house to WSCCO delivery model is expected to substantially improve the ability to make the necessary investment in Mackenzie’s water services, and fund this through sufficient and affordable revenue and financing arrangements.</p> <p>The Plan includes forecast figures for Mackenzie and Timaru combined, with the narrative focused on MDC’s inputs and assumptions covering a 10-year period and based on funding a 30-year investment programme.</p>	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>Actions required to achieve financially sustainable delivery of water services</b>	The Plan notes that MDC needs to immediately achieve a step-change in water services revenue to achieve financial sustainability. However, these changes will be consulted on and adopted through the 2027 LTP process. With the establishment of the WSCCO, MDC remains committed to ensuring the new organisation achieves this.	The Plan outlines actions required to achieve financially sustainable delivery of water services.	Meets requirements	N/A
<b>Risks and constraints to achieving financially sustainable delivery of water services</b>	<p>Key issues and risks for each water activity are listed on page 53. In addition, the Plan notes the capital programme being materially different from projections, real inflation being higher than projection, legislative uncertainty, unexpected borrowing, and inability to collect revenue for water services from visitors.</p> <p>Page 54 outlines MDC’s response to the four issues / risks raised by the Secretary on the previous Plan. The primary mitigation to address these risks has been the decision to establish the joint WSCCO</p>	The Plan outlines key risks and constraints along with a response to the four issues / risks raised by the Secretary on the previous Plan. Please see the “issues for discussion with panel” for more explanation on this.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Assessment of revenue sufficiency</b>				
<b>Projected water services revenues cover the projected costs of delivering water services</b>	WSSCO revenue is forecast to increase over the 10-year period and will exceed expenses from year nine as water charges begin to substantially increase. Additional operating expenditure is covered by the higher total revenue and the activity returns to surplus. This ensures there is sufficient revenue to ensure the WSSCO's long-term investment in delivering all waters services, including continued compliance with regulatory standards and requirements. Surpluses in later years will be used to build reserves to an appropriate level.	As projected water services revenues increase for three waters over the Plan, they cover the projected costs (including depreciation) of delivering water services from year nine.  This aligns with our calculations of projected WSSCO revenues for two waters.	Meets requirements	N/A
<b>Average projected charges for water services over FY2024/25 to FY2033/34</b>	The Plan shows average projected charges for Mackenzie and Timaru combined, at a per-connection level. The average projected charges for three waters rise from \$1,420 in year one to \$2,742 in year 10.  The average increase is 7.8% per year over the planning period. This starts at 8.7% rising to 12.2% in 2026/27, then drops to 2.8% in 2030/31 and stays under 4% until 2033/34.	MDC's average projected water services charges per connection for three waters start at \$1,420, rising to \$2,742 over 10 years. This is an increase of 93%.  Our calculations show the WSSCO average projected water services charges per connection for two waters start at \$1,188, rising to \$2,377 over 10 years. This is an increase of 100%.	Meets requirements	N/A
<b>Projected operating surpluses/(deficits) for water services</b>	An operating deficit is projected for the first seven years of the planning period. The operating surplus ratio deficit grows from -9% in year one to -15.3% in 2026/27, then improves each year to a surplus of \$4.1% in year 10.	MDC's projected operating surpluses/(deficits) for all three water services are detailed in the Plan. We note that surpluses are only in the last three years.  Our calculations also show that the two water WSSCO operating surplus ratio deficit grows from -10.6% in year one to -17.9% in 2026/27, then improves each year to show a surplus in the last three years with 5.4% in year 10.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Projected operating cash surpluses for water services</b>	The Plan shows a sufficient operating cash surplus. The operating cash ratio for the combined 10 years is 56%; ranging between 50.8% and 60.2%.	MDC has projected operating cash surpluses for all three water services every year of the 10-year Plan. Our calculations also show that the WSCCO has projected operating cash surpluses for the two water services every year of the 10-year Plan. The operating cash ratio average is 53.6%, ranging between 45% and 58.1% over the 10 years.	Meets requirements	N/A
<b>Assessment of investment sufficiency</b>				
<b>Projected water services investment is sufficient to meet levels of service, regulatory requirements and provide for growth</b>	<p>The Plan outlines approximately \$69 million in investment across all three water services for MDC.</p> <p>The amended plan includes \$337m for the WSCCO over the 10-year plan for all three water service assets.</p> <p>The 30-year forecast, based on the 2024 LTP and IS, prioritises increased investment in the first decade to improve wastewater treatment, with 21% of capital expenditure in the initial 10 years and 45% in the next 10 years.</p> <p>Investment peaks coincide with wastewater consent expiries, focusing on asset replacement, service upgrades and demands.</p> <p>Revenue is sufficient for long-term investment and regulatory compliance. Total investment exceeds depreciation over the 10-year Plan, with forecast revenues exceeding total expenses each year, including depreciation.</p>	<p>The Plan demonstrates investment is sufficient to meet the requirements of growth and LOS compliance.</p> <p>Our calculations show the WSCCO has an investment of \$280.8m (\$62.8m MDC and \$218m TDC) over the Plan for Drinking Water and Wastewater only.</p> <p>MDC acknowledges that major wastewater treatment plant renewals and upgrades for Takapō / Lake Tekapo, Fairlie and Twizel occur beyond the 10-year horizon of the Plan.</p> <p>MDC's establishment of a joint WSCCO with TDC will provide greater scale and borrowing capacity and headroom to deliver these upgrades. The capital programme will continue to be reviewed through Asset Management Plans and Water Services Strategy processes.</p>	Meets requirements	N/A
<b>Renewals requirements for water services</b>	<p>The WSCCO sustainability ratios are mostly negative throughout the Plan, with the asset sustainability ratio ranging from negative 9.4% to negative 45.9%, only positive year in 2025/26 at 20.1%.</p> <p>Capital expenditure on renewals is consistently lower than depreciation for water services.</p>	Investment in renewals is lower than depreciation. There is no commentary in the Plan on how the WSCCO intends to fund renewals. Previous comment relating to how MDC intends to fund renewals through debt (offsetting revenue) and not depreciation remains.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Total water services investment required over 10 years</b>	The asset investment ratio for the WSCCO water services largely remains positive, ranging from 5.7% to 114.8% over the 10-year Plan except for FY29/30, FY31/32 and FY32/33 where the ratio is negative. There is significant capital investment in 2026/27 and 2027/28 which includes investment to improve regulatory compliance and accommodate growth.	The investment profile includes TDC and MDC, however the MDC investment profile has not changed from the previous plan. Due to the participation in the WSCCO, the Plan now provides for: <ul style="list-style-type: none"> <li>• Greater borrowing headroom</li> <li>• Improved programme delivery capacity.</li> </ul> Regulatory compliance and growth requirements are the key elements of the total investment set out in the Plan.	Meets requirements	N/A
<b>Average remaining useful life of network assets</b>	The Plan outlines the asset consumption ratio for the WSCCO ranging from 54.6% in FY24/25 to 50.6% in FY33/34, remaining consistent.	The Plan notes an increase in the asset average life remaining, due to expenditure on renewals, LOS and growth projects.	Meets requirements	N/A
<b>Assessment of financing sufficiency</b>				
<b>Confirmation that sufficient funding and financing can be secured to deliver water services</b>	MDC confirm that sufficient funding and financing can be achieved through borrowing over the next 10-years. The WSCCO is expected to have improved borrowing capacity compared to an in-house delivery model due to higher water services revenue across the two districts (instead of one) plus higher debt to operating revenue ratio compared to MDC's current limit.	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>	MDC's whole of council borrowings is limited to 175% of net debt to revenue. Historically they have remained comfortably within LGFA and self-imposed borrowing limits.	MDCs projected whole of council borrowings are not disclosed in this Plan which limits our ability to determine the financial sustainability of Stormwater services.	Meets requirements	For noting
<b>Projected water services borrowings against borrowing limits</b>	The WSCCO may be able to borrow up to 500% net debt to operating revenue subject to meeting LGFA requirements.	The WSCCO projected water services borrowings are within the 500% borrowing limits.	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 Plan states WSCCO net debt to operating revenue goes from 290% at the start, to a peak of 372% in 2027/28, and finishes at 284% over the 10 years.	Our calculations show projected borrowings for the WSCCO increase from \$125.7m in 2024/25 to \$220.3m in 2033/34. WSCCO net debt to operating revenue goes from 331% at the start, to a peak of 436% in 2027/28, and finishes at 320% over the 10 years.	Meets requirements	N/A
<b>Borrowing headroom/(shortfall) for water services</b>	The Plan states the WSCCO borrowing headroom ranges between \$79m and \$167m over the planned period.	Our calculations show the WSCCO borrowing headroom ranges between \$29.3m and \$121m to cover unforeseen events or costs during the 10 years.	Meets requirements	N/A
<b>Free funds from operations</b>	The Plan states the WSCCO FFO ranges from 13.7% in 2024/25 to 14.9% in 2033/34, with a low of 8.6% in 2027/28.	Our calculations show the two water CCO FFO to debt ratio start at 10.8% then reduces to 5.8% in 2027/28, before rising to 10% in 2031/32, finishing at 12.3% in 2033/34.  While 5.8% in 2027/28 does not meet the LGFA funding requirements, after five years the WSCCO exceed the 9% covenant for entities with over 20,000 connections.  We recommend the WSCCO work with the LGFA to obtain the funding required through a five-year transition agreement.	Meets requirements	Yes
<b>Assessment of financing sufficiency</b>	MDC confirms that sufficient funding and financing can be achieved through borrowing over the 10-year Plan.	The Plan confirms sufficient funding and financing can be secured to deliver water services. However, MDC need to work closely with the LGFA to ensure funding is secured.	Meets requirements	N/A

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

Section in Part E	Summary of content in Plan	Assessment Review Comment	Focus for panel
<b>Projected funding impact statement</b>	The projected funding impact statements are shown for water services, as well as individual water activities.	Meets requirements, however a consolidated CCO view is not included in the Plan.	N/A
<b>Projected statement of comprehensive revenue and expense</b>	The projected statement of comprehensive revenue and expenses is shown for water services, as well as individual water activities.	Meets requirements, however a consolidated CCO view is not included in the Plan.	N/A
<b>Projected statement of cashflows</b>	Cashflow shown for water services, as well as individual water activities.	Meets requirements, however a consolidated CCO view is not included in the Plan.	N/A
<b>Projected statement of financial position</b>	Balance sheet shown for water services, as well as individual water activities.	Meets requirements, however a consolidated CCO view is not included in the Plan.	N/A

# Assessment Report: Part E – Financial projections and measures

## Projected statement of comprehensive revenue and expense

Water Services Delivery Plan page 43

## Projected statement of financial position

Water Services Delivery Plan page 47

## Financial measures: revenue sufficiency

Water Services Delivery Plan pages 32 - 33

## Financial measures: investment sufficiency

Water Services Delivery Plan pages 34 - 35

## Financial measures: financing sufficiency

Water Services Delivery Plan pages 36 - 38

# 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	Page 54 of the Plan provides a response to the risks and issues raised by the Secretary in relation to the originally submitted plan.	These are outlined on page 7 and 8 of this report.	For noting
<b>Significant capital projects</b>			
Drinking water	Significant Drinking Water capital projects are detailed on page 50 of the Plan.	Meets requirements.	N/A
Wastewater	Significant Wastewater capital projects are detailed on page 51 of the Plan.	Meets requirements.	N/A
Stormwater	Significant Stormwater capital projects are detailed on page 52 of the Plan.	Meets requirements.	N/A
<b>Disclosure of risks and material assumptions for water services delivery</b>			
Disclosure of risks and material assumptions for water services delivery	Key issues, risks and material assumptions for water services delivery have been included in the Plan on page 53.	Meets requirements.	N/A