

Water Services Delivery Plan Assessment

Assessment Report – Marlborough 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
Infrastructure Strategy	IS
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
Marlborough District Council	MDC
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
Councils involved in Plan	Marlborough District Council
Number of connections	Drinking water: 17,051 Wastewater: 14,503 Stormwater: 9,798
DIA comment on council engagement during Plan development process	<ul style="list-style-type: none"> • MDC has been proactive in its engagement with the Department throughout the development of the Plan. Initially, MDC was involved in early discussions around the potential establishment of a joint WSCCO with neighbouring councils. • In consultation with its community, MDC noted it remained open to investigating a multi-council WSCCO in the future, but this was not considered at the time of consultation due to there not being sufficient time to work through the complexities of joining with other councils. • On 7 July 2025, MDC decided to establish a WSCCO to deliver water services, while continuing to explore opportunities for joint water services delivery opportunities with other councils. • The final Plan was submitted on 1 September 2025.
Feedback provided to council prior to submission on Draft Plan	MDC provided the Department with a draft Plan for review on 18 July 2025. The Department responded on 4 August 2025 with feedback, stating that from the assessment of the draft, some risks to the financial sustainability of the proposed delivery model were identified.

Detail	Commentary
Engagement with council during review and assessment process	<p>On 19 September 2025, the Department emailed MDC with the following query:</p> <ul style="list-style-type: none">• The response to 'chemical compliance' on pages 35/36 of the Plan is 'no data'. Can you please confirm this is correct and you have no data available to support chemical compliance as per the DWQAR? <p>On 19 September 2025, MDC responded with information on this point and the Department's assessment team was satisfied that the clarification provided the additional detail required.</p>
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 the costs, and sufficient investment to meet relevant regulatory standards.
Financial Sustainability Comment	The Plan explains how the delivery of water services will be financially sustainable and that revenue is sufficient to cover the long-term investment that meets the LOS, regulatory requirements and provides for growth. No further actions beyond those in the Plan and implementation plan are required to become financially sustainable and risks are clearly outlined.
Revenue Sufficiency	The average projected charges for water services rise from \$2,379 to \$3,734 over the 10-year Plan, an increase of 56.9%. We note that the average stormwater charges reduce from \$370 to \$334 over the next 10 years, a 9.7% decrease. The affordability of projected water services ranges between 2.6% and 3.4% of median household income over the 10-year Plan. There are projected operating cash surpluses for water services every year of the Plan. These range between \$15.4m to \$59.7m. However, there are projected water services operating deficits throughout the Plan period, due to the way depreciation is funded.
Investment Sufficiency	<p>MDC's proposed water services investment is \$413.8m over 10 years and is sufficient to meet LOS, regulatory requirements and provide for growth. This is 153% of depreciation and proposed renewals are \$85.4m - 20.6% of the total capital expenditure and 32% of forecast depreciation.</p> <p>Regulatory and capacity-driven needs in water supply and wastewater are currently taking precedence over other investment. Consequently, renewals investment is currently below depreciation, but this is considered appropriate given the age and condition of the assets. While renewal investment is lower in the later years, this is expected to escalate beyond 2033/34. This approach is reflected in the IS and supporting AMP.</p> <p>The asset consumption ratio reflects the quantum of depreciation increasing while capex fluctuates based on requirements. Reduced investment in renewals over the 10-year period results in decreased average remaining asset lives over time.</p>

Section	Commentary
<i>Financing Sufficiency</i>	<p>The Plan confirms sufficient funding and financing can be secured to deliver water services with projected borrowings of \$259m over the 10-year period of the Plan. The projected council borrowings are within MDC's and LGFA limits of 280% net debt to revenue borrowing, and projected water services borrowings are within the internal 500% borrowing limit.</p> <p>The Plan uses a 9% FFO covenant for the water services debt headroom to FFO ratio which ranges from \$17m to \$76m over 10 years. The Plan also states the FFO to debt ratio ranges between 9.6% and 15.2%, with a 10-year average of 11.3%. However, the LGFA requires a WSCCO with 10,000 to 20,000 connections to have a ratio of 10%. We note that MDC breaches the 10% limit with 9.9% in 2028/30 and 9.6% in 2032/33 and its debt headroom to FFO ratio for these two years.</p>
<i>Overall assessment recommendation</i>	The overall recommendation from the assessment phase is to accept the Plan from MDC.

Topics for discussion with Panel

Issue	Description	Recommended treatment
Implementation of investment plan	<p>Four drinking water supplies are not compliant with DWQAR. The Plan outlines appropriate investment to address drinking water non-compliance issues and meet DWQAR. Regulatory and capacity-driven needs in water supply and wastewater are currently taking precedence over other investment.</p> <p>MDC has historically not delivered its planned investment programme.</p> <p>Proposed renewals investment over the 10-year period of the Plan is lower than depreciation as investment to meet compliance and capacity is prioritised.</p> <p>Renewal levels are expected to increase beyond the 10-year Plan.</p>	<p>We recommend monitoring of delivery of the capital programme, including compliance projects and renewals.</p>
Pricing strategy	<p>The charging and billing arrangements outlined in the Plan are based on land value., The future alternative to land value allocation has not been decided yet and therefore is not outlined in the Plan.</p> <p>The average projected charges for water services rise from \$2,379 to \$3,734 over the next 10 years, an increase of 56.9%. However, the affordability of projected water services ranges between 2.6% and 3.4% of median household income over the 10-year Plan. Every year of the Plan is higher than the Department's guidance of 2.5%.</p>	<p>We recommend that the charging arrangements and the pricing strategy for projected water charges are monitored during implementation, including for affordability.</p>
FFO and borrowing headroom/(shortfall) for water services	<p>The Plan states the FFO to debt ratio ranges between 9.6% and 15.2%, with a 10-year average of 11.3%. Using the 9% FFO covenant for the water services debt headroom to FFO ratio, headroom ranges from \$17m to \$76m over the 10-year Plan. However, the LGFA requires a WSCCO with 10,000 to 20,000 connections to have a ratio of 10%. Our calculations show that MDC breaches this in 2028/30 and 2032/33 and has no headroom in these years for unforeseen events or costs.</p>	<p>We recommend MDC continues to work with LGFA on funding arrangements to ensure there are sufficient borrowing facilities to support the Plan.</p>

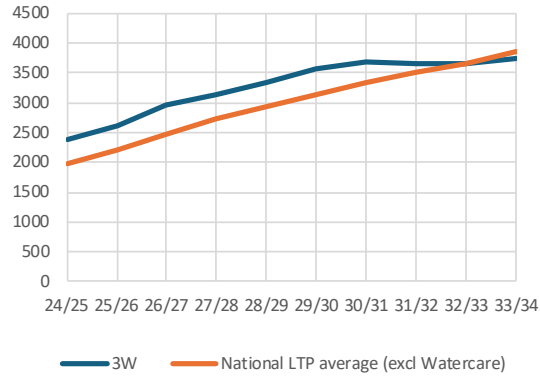
Council summary information

Summary information	Level
Current population	36,481
Drinking water connection	17,051
Wastewater connections	14,503
Stormwater connections	9,798
High growth council	No
10 year population growth	11.5%



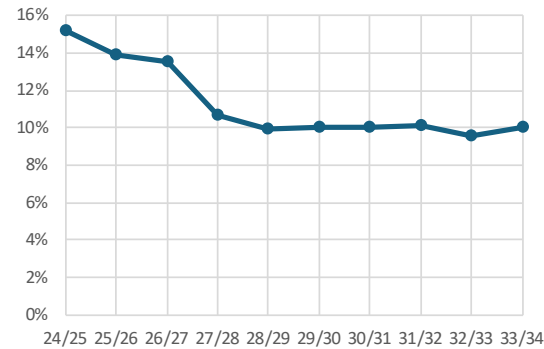
Affordability and growth

Water services charge compare to national LTP average



Financing

FFO to net debt



Assets, network and compliance

Asset measures	Year 1	Year 10	10 Year Average
Total assets per connection (\$)	52,992	64,409	59,918
Total debt per connection (\$)	7,920	16,362	13,672
Operating costs per connection (\$)	832	1,053	988
Age of network (years)	DW	WW	SW
Average age outlined in plan	30	35	32

Network performance	Level
Level of service performance measures achieved	45%
Water loss rate	34% - 74%
Average consumption (litres per person per day)	281

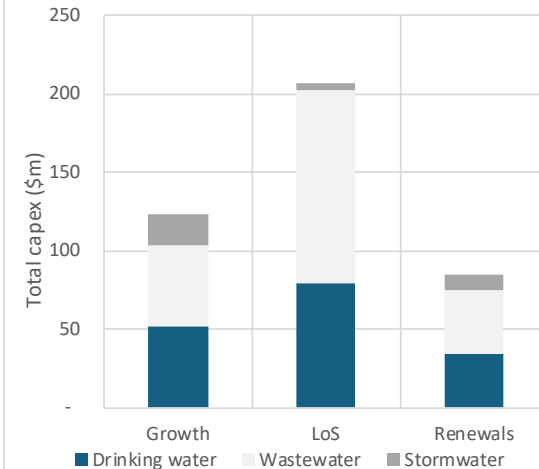
Compliance addressed in the Plan	
Drinking water compliance	YES
Resource consent compliance	YES

Capital expenditure	Category of capital expenditure			Total over 10 years
	Growth	Level of service	Renewals	
Drinking water	51,861	79,147	34,107	165,115
Wastewater	51,623	123,794	40,604	216,021
Stormwater	19,505	3,452	9,670	32,627
Total 10 years	122,989	206,393	84,381	413,763

Item	Year 1	Year 10	10 Year Average
Total charge as % of median income	2.60%	3.10%	3.10%
Annual price increase	N/A	2.10%	7.74%
DC collected per new connection (\$)	N/A	N/A	24,187

Item	Year 1	Year 10	10 Year Average
Water related net debt to operating revenue %	301%	418%	391%
FFO to debt	15.2%	10.0%	11.3%
Whole of Council net debt to revenue (approx)	130%	20%	75%

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 WSCCO will be financially sustainable by the required date of 30 June 2028. This is confirmed by further detail in the Plan.	The Plan explains how the delivery of water services will be financially sustainable and that revenue is sufficient to cover the long-term investment that meets the LOS, regulatory requirements and provides for growth.	Meets requirements	N/A
The proposed model to deliver water services	<p>MDC proposes to establish a standalone WSCCO. The WSCCO will be responsible for the delivery of drinking water, wastewater, and stormwater services to the district. Services will transfer to the WSCCO by 1 July 2027.</p> <p>While the WSO would be solely owned by MDC, the Plan states MDC welcomes other councils to contract with the WSCCO or to join as shareholders.</p>	<p>The proposed model for delivery of water services is clearly defined, with MDC transitioning from its current arrangements into the WSCCO from 1 July 2027.</p> <p>Governance is appropriately addressed in the Plan, and it refers to a Shareholder’s Agreement.</p> <p>The organisational structure of the proposed WSCCO meets the requirements of the Local Government (Water Services) Act 2025.</p>	Meets requirements	N/A
Implementing the proposed service delivery model	The WSCCO will be established and governed by a suite of founding documents, including the Shareholders’ Agreement and Constitution, that will explicitly signal and enable future participation by additional councils. These documents will outline mechanisms for onboarding new shareholders, safeguarding existing commitments and managing governance changes as other districts join.	The Plan outlines an implementation plan as required by section 13(2) of the Preliminary Arrangements Act.	Meets requirements	N/A

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
	<p>Implementation will proceed in two stages.</p> <p>Stage 1 key activities include:</p> <ul style="list-style-type: none"> • Standing up of project governance and delivery structures; • Development and adoption of legal instruments: Constitution, Shareholders’ Agreement, Transfer Agreement and Statement of Expectations; • Designing the WSCCO’s operating model, including organisational structure, executive recruitment and high-level policy settings; • Scoping and preparation of the Transition Plan, including change management, risk, communications, and Day 1 readiness planning, including a review of MDC’s water services capital programme against regulatory obligations; and • Formal legal incorporation of the WSCCO. <p>Stage 2 key focus areas include:</p> <ul style="list-style-type: none"> • Execution of legal asset and liability transfers; • Transition of affected staff and employment arrangements; • Development and testing of systems and processes required for Day 1 operations; • Establishment of independent financial, customer service, asset, and digital systems; and • Finalisation of service level agreements and operational handovers. 			

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Consultation and engagement undertaken	<p>MDC consulted with its community from 26 April to 26 May 2025 on two different options: an enhanced IBU operation and a WSCCO. The WSCCO was identified as the preferred option.</p> <p>MDC received 44 submissions. Of these submissions, 13 (29.5%) supported a WSCCO, 28 (63.6%) supported an IBU, eight (18.2%) supported neither option, and 10 (22.7%) supported both options.</p> <p>MDC noted that through the establishment and transition to the WSCCO, iwi will be consulted and engaged on the organisation's design and operating principles.</p>	<p>Consultation meets the requirements of Part 3 of the Preliminary Arrangements Act.</p> <p>The number of submissions represents approximately 0.1% of the population in the district.</p>	Meets requirements	N/A
Assurance and adoption of the Plan				
Council resolution to adopt the Plan	MDC resolved to adopt the Plan on 7 August 2025.	N/A	Meets requirements	N/A
Certification of the Chief Executive of MDC	The Chief Executive certified the Plan on 1 September 2025.	N/A	Meets requirements	N/A

Assessment Report: Part B – Network Performance

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Investment required in water services				
Serviced population and serviced areas	<p>MDC is responsible for managing:</p> <ul style="list-style-type: none"> • seven drinking water schemes supplying 16,789 properties; • four wastewater schemes servicing 14,229 properties; and • 10 urban stormwater networks servicing 9,591 properties. <p>MDC assumes 26.5% of the population is self-supplied. Many un-serviced areas are in low-density rural locations.</p> <p>Performance against LOS and the Department’s non-financial mandatory performance measures show that of the 20 performance measures, nine were met in 2023/24.</p>	<p>MDC expects growth of approximately 12% over the next 10 years.</p> <p>The Plan supplies comprehensive information on serviced areas, connections and growth.</p> <p>45% of water service performance measures were met in 2023/24, with improvements and reasons outlined in the Plan.</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
Assessment of the current condition and lifespan of the water services network	<p>The Plan provides information on condition and age of assets by water service. Backlog renewals are discussed but values are not provided. Critical assets are identified in the Plan.</p> <p>The average age of water assets is 30-35 years. The following level of condition information is provided in the Plan:</p> <ul style="list-style-type: none"> • Drinking water: 100% of underground assets are captured, with 34% in poor or very poor condition. 39% of above ground assets are captured, with none in poor or very poor condition; • Wastewater: 100% of underground assets are captured, with 48% in poor or very poor condition. 77% of above ground assets are captured, with none in poor or very poor condition; • Stormwater: 100% of underground and 67% of pumpstations are captured. 30% of below ground assets are in poor or very poor condition. 	<p>Age, condition and criticality information is used to plan the renewals programme. Existing condition information is suitable to plan maintenance, renewals and capital plans.</p>	<p>Meets requirements</p>	<p>N/A</p>
Asset management approach	<p>Council has a well-established approach to asset management planning. The Plan provides outlines a framework for linking strategic and tactical documents within MDC.</p> <p>Asset Management information systems are identified in the Plan. Existing and proposed delivery mechanisms are also identified.</p> <p>The Plan notes that no formal asset management maturity assessment has been undertaken in recent years. MDC has identified this as a priority task for the asset management team.</p>	<p>Little change in the approach to asset management or delivery mechanisms is planned. The Plan provides information on process. Limited commentary is provided on how asset management will support the proposed WSCCO model.</p>	<p>Meets requirements</p>	<p>N/A</p>

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p>Statement of regulatory compliance</p>	<p>Four drinking water supplies are not compliant with DWQAR. The Plan provides no data for chemical compliance. There are three boil water notices: Awatere rural, Havelock (lifted) and Riverlands.</p> <p>No water supplies are fluoridated. MDC has not received a directive from Ministry of Health to fluoridate its water supplies, but MDC water supplies are listed on the Ministry’s website as potential future supplies to be fluoridated.</p> <p>Water consumption is 281 litres per person per day.</p> <p>Investment in eight projects is proposed to address compliance issues.</p> <p>The Plan identifies the following resource consents:</p> <ul style="list-style-type: none"> • Drinking water: 26 consents, 0 operating under section 124 of the Resource Management Act 1991. 16 are due to expire, and there is one active application; • Wastewater: 23 discharge consents. Nine are due to expire, and there are two current applications; and • Stormwater: 23 discharge consents. Nine are due to expire, and there are no active applications. <p>The Plan does not identify any warnings, abatement or infringement notices.</p>	<p>MDC has confirmed chemical compliance has been achieved, but reports have not yet been submitted to the Water Services Authority. MDC confirms reports will be submitted in the next annual reporting cycle, in January 2026.</p> <p>The Plan outlines appropriate investment to address drinking water non-compliance issues and meet DWQAR.</p> <p>MDC is meeting consent compliance. Plans are in place to address the expiring consents and budgets have been allocated.</p> <p>We recommend monitoring the implementation of the capital investment programme (including compliance projects).</p>	Meets requirements	Yes

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Capital expenditure required to deliver water services and ensure that water services comply with regulatory requirements	<p>MDC's planned investment during the 10-year Plan improves the resilience of the service to maintain safety, reliability, and regulatory compliance. Growth investment supports growth for expansion or new projects.</p> <p>Total expenditure is consistent over the 10-year Plan, from \$21m to \$49m. \$413.8m of investment is planned over the 10-year period.</p> <p>The split between growth, LOS and renewals, and significant projects for each water service is listed in the Plan.</p> <p>Regulatory and capacity-driven needs in water supply and wastewater is currently taking precedence over other investment.</p>	<p>The Plan includes sufficient investment to achieve compliance, LOS and enable growth.</p> <p>Regulatory and capacity-driven needs in water supply and wastewater is currently taking precedence over other investment.</p>	Meets requirements	N/A
Historical delivery against planned investment	<p>In 2021/22 to 2023/24, MDC delivered total investment in water of \$69.2m against a budget of \$102.4m. This is 68% of planned investment. Renewal delivery for the same period was \$26.3m against a plan of \$22.6M, being 116% of planned investment.</p>	<p>MDC has historically not delivered its planned investment programme.</p> <p>Planned capex levels are similar to previous years. Factors limiting delivery are explained in the Plan.</p> <p>Improvements to delivery are outlined, including development of a capital expenditure prioritisation framework.</p> <p>We recommend monitoring the implementation of the capital investment programme.</p>	Meets requirements	Yes

Assessment Report: Part C – Revenue and financing arrangements

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Revenue and charging arrangements				
Charging and billing arrangements	Current and proposed charges are stated. There are no changes currently planned to the charging mechanism; apart from the required step away from use of land value allocation.	Charging and billing arrangements, which are based on land value allocation, are outlined in the Plan. We note that the alternative to land value allocation has not been decided yet and therefore is not outlined in the Plan. This matter should be monitored during implementation.	Meets requirements	Yes
Water services revenue requirements and sources	The sources of revenue details mirror the LTP, with minor adjustments.	Water services revenue requirements and sources are provided.	Meets requirements	N/A
Existing and projected commercial and industrial users' charges	Non-residential consumers have a combination of fixed charges, volumetric charging, and trade waste charges. Fixed charges will initially be charged via MDC's annual rates billing process/cycle. Water usage and trade waste charges are invoiced quarterly. In the medium term the WSO will directly charge users.	Existing and projected commercial and industrial users' charges are outlined in the Plan.	Meets requirements	N/A
The affordability of projected water services charges for communities	Water charges will remain between 2.6% and 3.4% of median household income throughout.	The affordability of projected water services ranges between 2.6% and 3.4% of median household income over the next 10 years. Every year of the Plan is higher than the Department's guidance of 2.5%. We recommend that projected water charges are monitored during implementation, including for affordability.	Meets requirements	Yes

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Funding and financing arrangements				
Water services financing requirements and sources	<p>Borrowing will be through LGFA.</p> <p>Borrowing requirements and limits are explained in the Plan along with interest rate, refinancing risk management and the debt repayment strategy.</p>	<p>Water services financing requirements and sources are clearly identified in the Plan.</p> <p>However, MDC's Plan states the ratio of FFO-to-debt must remain above 9%, while LGFA requires a WSCCO with 10,000 to 20,000 connections to have a FFO to debt ratio of 10%.</p> <p>We recommend MDC works with LGFA to ensure borrowing facilities are available for the 10-year period of the Plan.</p>	Meets requirements	Yes
Internal borrowing arrangements	Internal borrowing does currently occur and will remain in place until 1 July 2027 when transfer to the new entity will occur. The Plan states that financing arrangements for the new entity are not finalised and will be considered as part of the implementation plan.	Internal borrowing arrangements are outlined in the Plan.	Meets requirements	N/A
Determination of debt attributed to water services	Debt attributable to water services is tracked through internal borrowings which are linked to the activity or location that provides the service. These loans are aggregated at the activity level.	The determination of debt attributed to water services is described.	Meets requirements	N/A
Insurance arrangements	<p>The WSCCO will arrange and carry appropriate insurance policies from the date of assuming responsibility and ownership.</p> <p>MDC's current arrangements are detailed in the Plan.</p>	There are sufficient details in the Plan on MDC'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
Financially sustainable water services provision				
Confirmation of financially sustainable delivery of water services by 30 June 2028	MDC confirms that the Plan achieves financially sustainable delivery of water services by 30 June 2028. Projections are to generate sufficient revenue to meet the full cost of water services delivery, including operating expenditure, asset renewals, and debt servicing.	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	MDC is transitioning water supply and wastewater services to a WSCCO. All water services will achieve financial sustainability requirements by 2027/28. No further actions are required to achieve financial sustainability.	No further actions beyond those in the Plan and implementation plan are required to become financially sustainable.	Meets requirements	N/A
Risks and constraints to achieving financially sustainable delivery of water services	Listed risks include cost escalation, inflation and interest rate volatility, revenue constraints and affordability pressure, regulatory or compliance shocks, supply chain and delivery constraints, incomplete or evolving asset data, transition and governance risks.	Risks are clearly outlined in the Plan.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Assessment of revenue sufficiency				
Projected water services revenues cover the projected costs of delivering water services	MDC anticipates water services operating expenses (excluding depreciation) of \$328m over the LTP period, against \$583 million in revenues, generating \$255m in cash surpluses. When including depreciation, operating losses over the period are \$121m. MDC notes that three waters assets were revalued in 2022/23 with a significant uplift in both the carrying value and depreciation. In the 2024-34 LTP the Council determined that the new level of depreciation would move progressively to full funding over the period 2026/27 to 2033/34. This has resulted in an increased depreciation expense.	There are projected operating cash surpluses for water services every year of the Plan. However, there are projected water services operating deficits throughout the Plan period, due to the way depreciation is funded.	Meets requirements	N/A
Average projected charges for water services over 2024/25 to 2033/34	Average projected charges are shown at a per connections level. Average projected charges for water services rise from \$2,379 in year one to \$3,734 in year 10. The projected increase is 7.7% per year over the 10-year period of the Plan. This is skewed towards the first six years of the period. One of the latter years is forecast to have a charge reduction.	The average projected charges for water services rise from \$2,379 to \$3,734 over the next 10 years, an increase of 56.9%. We note that the average stormwater charges reduce from \$370 to \$334 over the next 10 years, at a 9.7% decrease.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Projected operating surpluses/(deficits) for water services	<p>An operating deficit is projected in every year of the 10-year period of the Plan, ranging between negative 31.9% and negative 20.9%. The deficits are due to a sharp lift in depreciation on water assets following recent valuations for accounting purposes.</p> <p>In the 2024-34 LTP, MDC deliberately chose not to make a step change and fully fund depreciation on the grounds of affordability. Instead, it chose to return to full funding of depreciation of water assets over the LTP period, returning to 100% funding of the revalued depreciation by 2034.</p>	Projected operating deficits for water services are detailed in the Plan.	Meets requirements	N/A
Projected operating cash surpluses for water services	The Plan shows sufficient operating cash surplus. The operating cash ratio ranges between 46.2% and 54.0%.	There are projected operating cash surpluses for water services every year of the Plan, ranging between \$15.4m to \$59.7m.	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	<p>Water services investment is planned to exceed depreciation of the network at a total capital investment level but will not exceed depreciation when considering renewals alone.</p> <p>The first seven years of the Plan include significant treatment upgrade projects to meet regulatory requirements.</p> <p>There have been minimal failures across the network, which is consistent with the age and strong performance of existing infrastructure.</p> <p>While renewal investment is lower in the later years, this is expected to escalate beyond 2033/34.</p>	<p>MDC's proposed water services investment is sufficient to meet LOS, regulatory requirements and provide for growth.</p> <p>MDC is investing \$413.8m over 10 years, being 153% of depreciation.</p> <p>Renewals are \$85.4m - 20.6% of total capex and 32% of forecast depreciation.</p>	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Renewals requirements for water services	<p>The asset sustainability ratio is below zero over the total 10-year period of the Plan, indicating investment in renewal of infrastructure is planned to occur at a lower level than forecast depreciation.</p> <p>The renewals programme for drinking water fluctuates over the Plan in line with upgrade works scheduled.</p> <p>There have been minimal failures across the network, which is consistent with the age and strong performance of existing infrastructure. Consequently, renewals investment is currently below depreciation, but this is considered appropriate given the age and condition of the assets.</p> <p>While renewal investment is lower in the later years, this is expected to escalate beyond 2033/34. This trend is reflected in the IS and supporting AMP.</p>	<p>Proposed renewals investment over the 10-year period of the Plan is lower than depreciation as investment to meet compliance and capacity is prioritised. Renewal levels are expected to increase beyond the 10-year Plan.</p> <p>We recommend monitoring the implementation of the renewals investment plan.</p>	Meets requirements	Yes
Total water services investment required over 10 years	The Plan shows a positive investment ratio in all but one year of the Plan, ranging from negative 27.9% to positive 111%. Total investment is well above depreciation.	<p>The asset investment ratio reflects the quantum of depreciation increasing while capex fluctuates based on capex requirements.</p> <p>This investment profile aligns to the LTP budgets and is consistent with the investment priorities identified.</p>	Meets requirements	N/A
Average remaining useful life of network assets	There is a decreasing asset consumption ratio over the period of the Plan, going from 55.3% to 50.9%.	Reduced investment in renewals over the 10-year period of the Plan results in decreased average remaining asset lives over time.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Assessment of financing sufficiency				
Confirmation that sufficient funding and financing can be secured to deliver water services	Funding in the Plan is sufficient, and financing can be delivered.	The Plan confirms sufficient funding and financing can be secured to deliver water services. We recommend that MDC work with LGFA to ensure they have sufficient headroom and borrowing facilities throughout the 10-year Plan.	Meets requirements	N/A
Projected council borrowings against borrowing limits	Council borrowing is within internal policy limits (noting that LGFA allow higher limits).	The projected council borrowings are within MDC's and the LGFA 280% net debt to revenue borrowing limit.	Meets requirements	N/A
Projected water services borrowings against borrowing limits	Water services debt is over 400% for the last six years; however, this remains within the internal policy limit.	The projected water services borrowings are within the internal 500% borrowing limit.	Meets requirements	N/A
Projected borrowings for water services	Net debt attributed to the three water services goes up for the first four years and then stays at the roughly 420% mark until the end of the planning period.	The projected borrowings for water services are \$259m over the 10-year Plan.	Meets requirements	N/A
Borrowing headroom/(shortfall) for water services	Borrowing headroom is calculated against FFO to debt.	The Plan uses a 9% FFO covenant for the water services debt headroom to FFO ratio, which ranges from \$17m to \$76m over the 10-year Plan. However, LGFA requires a WSCCO with 10,000 to 20,000 connections to have a ratio of 10%. Our calculations show that they breach this in 2028/30 and 2032/33. We recommend that MDC work to close these gaps and work with the LGFA to ensure there is sufficient headroom for unforeseen events or costs.	Meets requirements	Yes

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p>Free funds from operations</p>	<p>The FFO falls from 15.2% to around 10% in year three and remains at that level until the end of the planning period.</p>	<p>The Plan states the FFO to debt ratio ranges between 9.6% and 15.2%, with a 10-year average of 11.3%.</p> <p>LGFA requires a WSCCO with 10,000 to 20,000 connections to have a FFO to debt ratio of 10%.</p> <p>We note that MDC breaches this limit with 9.9% in 2028/30 and 9.6% in 2032/33. We recommend MDC work to close these gaps and work with LGFA to ensure coverage for the 10-year Plan.</p>	<p>Meets requirements</p>	<p>Yes</p>
<p>Assessment of financing sufficiency</p>	<p>Funding is sufficient, and financing can be delivered.</p>	<p>The Plan implies sufficient funding and financing can be secured to deliver water services for the 10-year period of the Plan.</p> <p>We recommend that MDC work with LGFA to ensure they have sufficient headroom and borrowing facilities throughout the 10-year Plan.</p>	<p>Meets requirements</p>	<p>Yes</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
Projected funding impact statement	The funding impact statements shown for individual waters, and three waters combined.	Meets requirements	N/A
Projected statement of comprehensive revenue and expense	The statement of comprehensive revenue and expense is shown for individual waters, and three waters combined.	Meets requirements	N/A
Projected statement of cashflows	Cashflow is shown for individual waters, and three waters combined	Meets requirements	N/A
Projected statement of financial position	The balance sheet is shown for individual waters, and three waters combined.	Meets requirements	N/A

Assessment Report: Part E – Financial projections and measures

Projected statement of comprehensive revenue and expense

Water Services Delivery Plan pages 78 - 80

Projected statement of financial position

Water Services Delivery Plan pages 82 - 84

Financial measures: revenue sufficiency

Water Services Delivery Plan pages 62 - 64

Financial measures: investment sufficiency

Water Services Delivery Plan pages 65 - 69

Financial measures: financing sufficiency

Water Services Delivery Plan pages 70 - 73

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	The appendix includes service maps, projected charges for water supply, and the response to DIA feedback on the MDC draft Plan.	N/A	N/A
Significant capital projects	Significant capital projects per activity are listed.	N/A	N/A
Key issues, constraints, risks and assumptions	Disclosure of risks and material assumptions for water services delivery are covered in the Plan.	N/A	N/A