

# Water Services Delivery Plan Assessment

## Assessment Report – Metro Water (Wellington Metropolitan Councils)

**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
Advisory Oversight Group	AOG
Capital expenditure	Capex
Council Controlled Organisation	CCO
Department of Internal Affairs	Department
Funds From Operations	FFO
Greater Wellington Regional Council	GWRC
Hutt City Council	HCC
Infrastructure Funding and Financing	IFF
Levels of Service	LOS
Local Government Funding Agency	LGFA
Long-term Plan	LTP
Metro Water (proposed name for the WSCCO)	MW
Natural Resources Plan	NRP
Porirua City Council	PCC
Upper Hutt City Council	UHCC
Waste Water Treatment Plant	WWTP
Wastewater Environmental Performance Standards	WEP
Water Services Council Controlled Organisation	WSCCO
Water Services Delivery Plan	Plan
Wellington City Council	WCC
Wellington Water Limited	WWL
Wellington Metro (the grouping of councils who have submitted the plan)	WM

# Assessment Cover Sheet

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

Detail	Commentary
<b>Councils involved in Plan</b>	Wellington City Council, Greater Wellington Regional Council, Porirua City Council, Hutt City Council and Upper Hutt City Council.
<b>Number of connections</b>	Water supply: 154,725 Wastewater: 156,762 Stormwater: 151,408
<b>DIA comment on council engagement during Plan development process</b>	<p>In October 2024, nine councils in the Wellington region received a report outlining a recommended regional approach to joint water services delivery for all water activities. In late 2024, WCC, GWRC, PCC, HCC and UHCC agreed that a regional approach was the best way forward. Since then, discussions have continued on a potential joint CCO of all four Wellington metropolitan councils plus GWRC.</p> <p>Throughout the development of their Plan, the councils have been consistently proactive in their engagement with the Department, identifying a programme director to lead the grouping early on.</p> <p>In February 2025, the five Wellington councils decided to consult on a multi-council CCO as their preferred option. All councils also consulted on an in-house business unit, with WCC providing a single-council CCO as a third option.</p> <ul style="list-style-type: none"> <li>• PCC consulted their community from 20 March 2025 to 20 April 2025, which indicated 77% support for multi-council CCO model.</li> <li>• HCC consulted their community from 20 March 2025 to 20 April 2025, which indicated 73.5% support for multi-council CCO model.</li> <li>• WCC consulted their community from 20 March 2025 to 21 April 2025, which indicated 72% support for multi-council CCO model.</li> <li>• GWRC consulted their community from 20 March 2025 to 22 April 2025, which indicated 79.6% support for multi-council CCO model.</li> <li>• UHCC consulted their community from 24 March 2025 to 27 April 2025, which indicated 84% support for multi-council CCO model.</li> </ul> <p>The Department, accompanied by the Commerce Commission and Water Services Authority, attended individual workshops to support each of the Wellington metro councils ahead of Local Water Done Well workshops across May and June 2025.</p>

Detail	Commentary
	<p>On 22 May 2025, WCC agreed to jointly establish and co-own a water CCO, Metro Water (MW) in conjunction with the four other councils.</p> <p>By July 2025, all five councils had voted to proceed with a multi-council CCO, which is intended to operate from 1 July 2026.</p> <p>The final joint Plan was submitted on 29 August 2025.</p>
<p><b>Feedback provided to council prior to submission on Draft Plan</b></p>	<p>In June 2025, the Wellington Metropolitan grouping provided a draft Plan to the Department for review. The main areas of feedback were around risks to meeting LGFA guidelines for FFO and with delivery of the proposed capital programme which is a \$2.6 billion uplift on the councils' LTP water capex.</p> <p>The final WSDP subsequently outlines an independent review of the capex delivery ability and includes legal advice by Simpson Grierson that the Plan meets all legislative requirements.</p>
<p><b>Engagement with council during review and assessment process</b></p>	<p>No further information has been sought from the councils during the review and assessment process.</p>
<p><b>Other Background Comments</b></p>	<p>All councils have been using WWL as their joint water service company to deliver operating expenditure, capex investment and provide asset advisory services since its establishment in 2003. This model had limitations as each council would individually determine revenue and influence capex and investment priorities that it would fund WWL to undertake on its behalf. WWL recommendations on water charges, capex renewals or new investment were also subject to veto by each respective council.</p> <p>Risks from establishment of the new entity are reduced with tier 3 employees and below guaranteed roles with the new MW entity. In many areas, all councils already share common design standards. They also have a contracting labour force with network knowledge already in place through Wellington Water and its consulting and contracting panels.</p>

## Assessment Summary

Section	Commentary
<b>Confirmation of submission completeness checklist</b>	The submission completeness checklist has been filled out and the Plan contains all the required information.
<b>General Comment on Plan</b>	<p>The Plan confirms key aspects of establishing MW are well advanced and will support the establishment date of 1 July 2026. The appendix outlines a draft shareholder agreement, principles to establish what debt to transfer, and confirms employee transfers from WWL to MW.</p> <p>Water charges will be initially calculated on a cost-to-serve basis, as per existing council LTPs, but the Plan indicates regional harmonisation of prices will be considered in due course, however the pace and structure of that transition remains uncertain, which may impact how prices evolve in each council area.</p>
<b>Financial Sustainability Comment</b>	The Plan explains how the delivery of water services will be financially sustainable by 30 June 2028 and provides assurance from Simpson Grierson advising that forecasts meet the financial sustainability requirements of the legislation on a balanced view. The revenue and investment requirements noted in the Plan reference the need to gain approval for a seven-year transition period from LGFA. The risks and constraints to achieving financially sustainable delivery of water services have been outlined appropriately.
<b>Revenue Sufficiency</b>	<p>The financial model shows that MW's operating revenue pathway is sufficient to cover the full costs of delivering three waters services. Longer-term modelling shows that as capital delivery levels stabilise and revenue streams mature, MW's operating position will progressively strengthen, supporting long-term financial sustainability.</p> <p>The average projected charges for water services over the 10 years is expected to increase by approximately 13% each year. The affordability of projected water services charges as a percentage median household income increases from 1.4% to 3.1% over the 10 years. A breakdown by each council is shown later in the Plan.</p> <p>Projected operating cash surpluses for water services is positive every year and increases from \$70.9m to \$485.5m over the 10 years. The projected operating surplus shows a steady increase over the period, moving from negative 41.9% and becomes positive in 2032/33 as depreciation is fully funded.</p>

Section	Commentary
<b>Investment Sufficiency</b>	The investment profile outlines that MW’s capital programme is not limited to asset replacement - it also addresses historic underinvestment, growth demands, and regulatory compliance. Renewals are planned appropriately and are aligned with projected depreciation. Over time this is expected to address the renewals backlog within 21 years and improve network performance. This profile is a significant increase over the LTP budgets and consistent with the investment priorities identified. Investment in renewals, LOS and growth over the 10-year period results in an increase in average remaining lives over time.
<b>Financing Sufficiency</b>	The projected water services borrowings against borrowing limits meet LGFA’s FFO to interest coverage ratio throughout the 10-year period, however the FFO to net debt ratio of 8% will not be met until 2032/33, outside of the LGFA’s five-year transition period. The Plan states that debt is within sustainable levels, however this is hard to quantify as there are no headroom charts or tables in the report to show the movements in headroom across time, although we note cash flow surpluses could potentially be used if needed. MW will need to work closely with LGFA to ensure they obtain a bespoke borrowing agreement to cover borrowing requirements for seven years that allows sufficient headroom to cover unforeseen costs.
<b>Overall assessment recommendation</b>	The overall recommendation from the assessment phase is to <b>accept</b> the Plan from HCC, GWRC, PCC, UHCC and WCC.

## Issues for discussion with Panel

Issue	Description	Recommended treatment
<b>Meeting LGFA borrowing and headroom requirements</b>	<p>The projected water services borrowings against borrowing limits meet LGFA’s FFO to interest coverage ratio throughout the 10-year period, however the FFO to net debt ratio of 8% will not be met until 2032/33, outside of LGFA’s five-year transition period. The Plan states that the lending headroom is sufficient (at \$670m in 2033/34) to cover the insurance gap if so required, however this is hard to quantify as there are no headroom charts or tables in the Plan to show the movements in headroom across time.</p> <p>LGFA has confirmed it will consider a seven-year transition FFO ratio for MW to achieve by 2032/33.</p>	<p>Given that no guarantee can be provided from the LGFA board in advance of a formal request for lending, we recommend this is monitored through implementation.</p>
<b>Delivery of planned investment</b>	<p>The Plan notes that delivery capacity will need to be a critical focus for MW, requiring ongoing testing, active planning, and investment decision trade-offs. This will require significant focus and ongoing dialogue with regulators, councils and the community.</p>	<p>We recommend that this is monitored during implementation.</p>
<b>Growth funding</b>	<p>During the Review Panel’s consideration of the Plan, the Panel noted that the revenue MW expects to collect from development contributions is significantly lower than the growth-related capital expenditure it has forecast, and that this revenue should be monitored.</p>	<p>We recommend that the extent to which growth is funded through the collection of development contribution revenue now, or development levy revenue in the future is monitored.</p>

**Council summary information**

Summary information	Level
Current population	432,000
Drinking water connections	154,725
Wastewater connections	156,762
Stormwater connections	151,408
High growth council	Yes
10 year population growth	7.5%



**Assets, network and compliance**

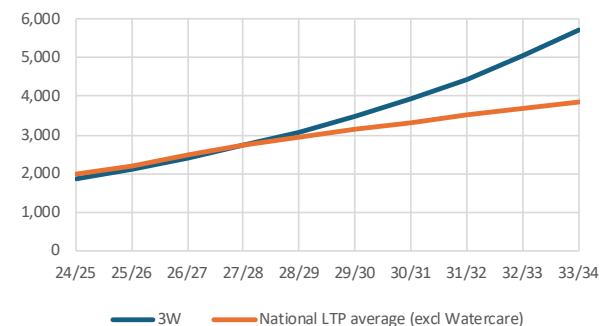
Asset measures	Year 1	Year 10	10 Year Average
Total assets per connection (\$)	55,431	93,654	73,874
Total debt per connection (\$)	10,251	32,551	20,747
Operating costs per connection (\$)	1,283	1,989	1,728
Age of network (years)	DW	WW	SW
Average age outlined in plan	42	54	48

Network performance	Level
Level of service performance measures achieved	Partial
Water loss rate (litres per day)	193
Average consumption (litres per person per day)	409

Compliance addressed in WSDP	
Drinking water compliance	Yes
Resource consent compliance	Yes

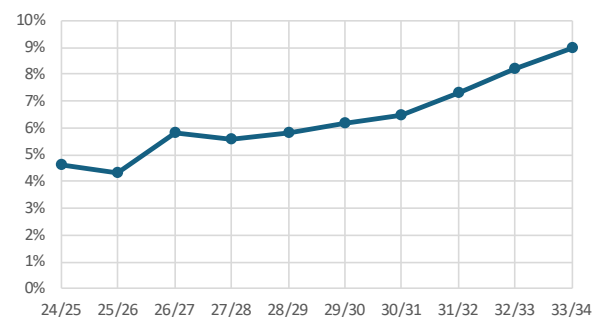
**Affordability and growth**

Water services charge compare to national LTP average



**Financing**

Net debt to FFO

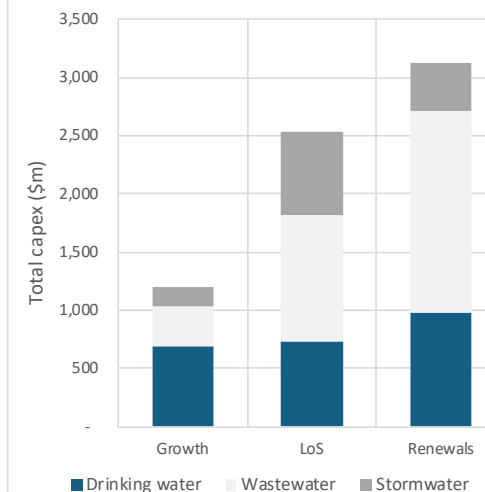


Capital expenditure	Category of capital expenditure			Total over 10 years
	Growth	Level of service	Renewals	
Drinking water	691,198	738,466	984,449	2,414,113
Wastewater	345,248	1,087,202	1,729,977	3,162,427
Stormwater	162,619	712,726	404,857	1,280,202
<b>Total 10 years</b>	<b>1,199,065</b>	<b>2,538,394</b>	<b>3,119,283</b>	<b>6,856,742</b>

Item	Year 1	Year 10	10 Year Average
Total charge as % of median income	1.40%	3.10%	2.15%
Annual price increase	N/A	13.30%	11.83%
DC collected per new connection (\$)	N/A	N/A	13,223

Item	Year 1	Year 10	10 Year Average
Water related net debt to operating revenue %	440%	492%	497%
FFO to debt	4.6%	9.0%	6.3%
Whole of Council net debt to revenue (approx)	N/A	N/A	N/A

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	<p>The Plan explains how the delivery of water services will be financially sustainable by 30 June 2028.</p> <p>The Plan includes commentary on:</p> <ul style="list-style-type: none"> <li>transitional arrangements to ensure financially sustainable water services provision by 30 June 2028</li> <li>revenue requirements to meet costs of water services delivery over the plan period</li> <li>the proposed levels of investment required over the plan period, and</li> <li>funding and financing arrangements to deliver the proposed levels of investment.</li> </ul>	<p>This Plan notes it will be useful to councils, mana whenua and MW, to clearly articulate joint arrangements, delivery model, planned investment, revenue and financing strategies in order to achieve financial sustainability and LOS. The revenue and investment requirements noted in the Plan reference the need to gain approval for a seven-year transition period from LGFA.</p> <p>MW will need to work with LGFA to ensure they obtain a bespoke borrowing agreement to cover borrowing requirements for seven years that allows sufficient headroom to cover unforeseen costs.</p> <p>The LGFA has confirmed it is considering this situation.</p>	Meets requirements	Yes

Section in Part A	Summary of content in plan	Assessment Review Comment	Assessment	Focus for panel
<p><b>The proposed model to deliver water services</b></p>	<p>MW is a joint CCO of the largest Wellington councils (Wellington, Porirua, Hutt, Upper Hutt and Greater Wellington Regional Council.)</p> <p>The proposed model is a joint WSCCO (with an interim name of MW) that will own and operate public drinking water, wastewater and stormwater assets and networks for a population of around 432,000, within the territorial boundaries of the four shareholding city councils.</p> <p>MW will be jointly owned by Hutt City, Porirua City, Upper Hutt City and Wellington City Councils and Greater Wellington Regional Council. The rights and responsibilities of shareholders and mana whenua partners will be laid out in MW’s Constitution and Partners’ Agreement. The intent is that these documents will be agreed in draft by councils and mana whenua partners ahead of incorporation of MW expected in October 2025 and finalised in late 2025.</p> <p>MW will be a full-breadth water utility, owning all assets, revenues and liabilities and providing all water services (drinking water, wastewater and stormwater) to customers in the metropolitan Wellington area, and billing them directly for water usage and services provided. Over the first year from establishment, interim billing arrangements are likely to be in place while MW systems and processes are established, with each council continuing to bill customers for water services and then passing on the revenues to MW. The preferred approach and arrangements for this process are still being confirmed.</p> <p>There are two areas of water management that are not included in this service delivery model – ownership of drinking water catchments and broader stormwater management including overland flows.</p>	<p>The Wellington network is already integrated with councils relying on shared assets within a regional network.</p> <p>Wellington councils currently rely on WWL to deliver services to the network and manage capex on behalf of shareholder councils.</p> <p>The proposed model for delivery of water services is clear with a 1 July 2026 transition from the current arrangements into MW.</p> <p>Shareholder agreement and principles are provided in draft in the Plan appendix, including the principles to establish what debt to transfer from each council to MW.</p> <p>The organisational structure of MW will meet legislative requirements.</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><b>Implementing the proposed service delivery model</b></p>	<p>An Advisory Oversight Group (AOG) has specific delegations to support the incorporation of MW. The AOG has an independent chair and holds limited delegations to appoint the Establishment Board and finalise draft foundation documents which will be ratified by each council in late 2025. Some decision delegations related to the formal incorporation of MW will be reserved for shareholding council representatives only. The AOG will be replaced by a Partners' Committee, constituted in accordance with the Partners' Agreement by incoming councils (after local body elections) by December 2025.</p> <p>An Establishment Director was appointed in July 2025 to lead the establishment of MW including managing the establishment team and key interdependencies with councils and Wellington Water.</p> <p>The Establishment Board will comprise three to four members with specialist knowledge and experience in the areas of CCOs and regulated utility establishment, three waters operations and asset management, financial controls, treasury and capital structuring, an understanding of te ao Māori and the ability to work closely with mana whenua. Corporate legal functions will be appointed.</p> <p>An Interim Chief Executive will be appointed by the Establishment Board in late 2025 to lead the establishment of MW to Day One and beyond. Implementation risks have been identified.</p>	<p>An implementation plan is provided including timeline and roles and responsibilities which meets the requirements of section 13(2) of the Preliminary Arrangements Act.</p> <p>MW staffing will largely be based on 'lifting and shifting' staff (tier three and below) from WWL.</p> <p>The plan notes that funds have been allocated for establishment costs related to MW.</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>Accountability and ownership of the customer relationship, assets, compliance and capital works transfers to MW on 1 July 2026. Funding arrangements and terms for debt transfer will be in place by 1 July 2026, along with critical staff and systems for MW to operate. Some functions and support will continue to be provided by councils in the interim where necessary. The appendix has a very detailed timeline and task analysis.</p> <p>The proposed start date 1 July 2026 is achievable given all the Councils currently use WWL for delivery of the regions water operating expenditure and capex.</p>			
<p><b>Consultation and engagement undertaken</b></p>	<p>The councils undertook public consultation during March and April 2025 in accordance with the requirements of sections 61 and 64 of the Preliminary Arrangements Act.</p> <p>All councils consulted on the options of:</p> <ol style="list-style-type: none"> <li>1. the establishment of a new multi-council-owned water services organisation (CCO); and</li> <li>2. a modified version of the existing WWL arrangement.</li> </ol> <p>All councils had option 1 (new multi-council-owned CCO) as their preferred option. Wellington City Council consulted on a third option of establishing a Wellington City-only CCO.</p> <p>There was solid support for the preferred option across all five councils, ranging from 69 to 84 percent of submissions in favour.</p>	<p>A majority of submitters from each council supported the joint CCO model, and the consultations met the requirements under the Act.</p>	<p>Meets requirements</p>	<p>N/A</p>

Section in Part A	Summary of content in plan	Assessment Review Comment	Assessment	Focus for panel
<b>Assurance and adoption of the Plan</b>				
<b>Council resolution to adopt the Plan</b>	Resolution dates are as follows: Hutt City Council - 19 August 2025 Upper Hutt City Council - 20 August 2025 Porirua City Council - 21 August 2025 Wellington City Council - 21 August 2025 Greater Wellington Regional Council - 21 August 2025	Confirmed from council meeting minutes.	Meets requirements	N/A
<b>Certification of the Chief Executives of each Council</b>	The Chief Executives of Hutt City Council, Porirua City Council, Upper Hutt City Council and Wellington City Council and Greater Wellington Regional Council certified the Plan on 7 August 2025.	The Plan is signed by each Chief Executive.	Meets requirements	N/A

# Assessment Report: Part B – Network Performance

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Investment required in water services</b>				
<b>Serviced population and serviced areas</b>	<p>The combined population is approximately 432,000. Most of these residents are connected to council-supplied drinking water and wastewater systems, with variable stormwater connectivity depending on urban development and topography.</p> <p>Metropolitan area forecasts indicate around 30 percent population growth over the next 30 years to reach a total population of around 546,000 residents. Proposed growth areas have been identified. LOS performance are variable across the councils. Overall performance reflects known issues with leaks, water treatment and wastewater treatment.</p>	Comprehensive information supplied on serviced areas, connections and growth areas.	Meets requirements	N/A
<b>Assessment of the current condition and lifespan of the water services network</b>	<p>The pipe networks are aging, with close to 800 km now operating beyond their expected service lives. Most of the pipe network assets have a condition grade, with 27% of water, 28% of wastewater, and 14% of stormwater network assets in “poor” or “very poor” condition. Approximately 95% of the assets in the four wastewater treatment plants have a condition assessment. Current state understanding is largely based on operator knowledge and visual inspections, with limited use of structured condition-monitoring tools or predictive analytics. Only around 6% of the water treatment assets currently have a condition assessment. Limited information is available on wastewater and water supply pump station assets with 21 and 28% respectively having a condition grade.</p> <p>Critical assets have been identified.</p>	Condition and criticality information is suitable to be used to plan maintenance, renewals and capital and operating programme over the short term. Ongoing verification of asset data and collection of condition information for all asset groups (particularly water treatment plants and pump stations) is planned to prioritise renewals in the medium to long term.	Meets requirements	N/A

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Asset management approach</b>	Service delivery is currently via a mix of WWL staff, contractors and consultants supervised by WWL with these transferring to MW. Panels and alliances are in place with recent changes to enhance efficiency, management and environmental outcomes. Asset management is guided by a Strategic Asset Management Plan with Combined and Separate AMPs developed in 2025. Investment into improved asset management systems/tools is underway. The last three waters asset-management maturity assessment for the region was conducted in 2021.	The Plan provides commentary on how service delivery and asset management will support the proposed model.	Meets requirements	N/A
<b>Statement of regulatory compliance</b>	<p>As of May 2025, three of the region’s four water treatment plants (Wainuiomata, Te Mārua and Gear Island) are fully compliant with the Water Services Authority’s bacterial and protozoal standards under the Drinking Water Quality Assurance Rules. The Waterloo Water Treatment Plant is currently non-compliant with bacterial compliance rules since the chlorine contact time requirement increased in the 2022 Drinking Water Quality Assurance Rules. Work is underway to resolve these issues, with completion expected in 2025/26, and the plant remains compliant with protozoal rules.</p> <p>Compliance with fluoride dosing levels is generally high across all plants with shutdowns and upgrades impacting recent compliance levels.</p> <p>All four WWTPs have experienced environmental compliance challenges in recent years, particularly relating to effluent quality and unconsented discharges. Commentary is provided on the status of a small number of expired consents and active consent applications.</p>	<p>While the Waterloo Water Treatment Plant is not meeting drinking water bacterial compliance rules, the Plan confirms budget is provided to meet compliance by 2025/26.</p> <p>WWTP discharge consents are scheduled for renewal between 2031 and 2040.</p> <p>Projects to resolve current WWTP non-compliances including odour and treated wastewater quality have been identified with compliance expected by 2026/27. Alignment of growth planning, infrastructure investment, and consenting timelines with WEPS compliance milestones will be required once these are available.</p>	Meets requirements	N/A

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
	<p>The Plan outlines actions which have been taken for a range of non-compliances for network overflows and discharges with associated capital projects outlined.</p> <p>Potential impacts of future regulatory changes including the Wastewater Environmental Performance Standards (WEPS) and the Natural Resources Plan (NRP) for the Wellington Region. Residential water metering is proposed to improve efficiency of use and reduce water demand.</p> <p>For stormwater discharges, no abatement notices, infringement notices, enforcement orders, or prosecutions were noted.</p>			
<p><b>Capital expenditure required to deliver water services and ensure that water services comply with regulatory requirements</b></p>	<p>Investment ranges from \$439m in FY27 to \$1,040m over the 10-year period. The Plan states six core strategic priorities (keep up, catch up, build up, clean up, address faults, and improve resiliency) which are aligned to the strategic priorities set by the Wellington Water Committee and outline how they relate to the investment strategy for the Plan.</p> <p>Broadly these priorities cover:</p> <ul style="list-style-type: none"> <li>• Look after existing infrastructure (keep up, catch up, and address faults).</li> <li>• Support growth (build up).</li> <li>• Improve water quality of our rivers, streams, and harbours (clean up).</li> <li>• Ensure sustainable water supply for the future, including providing a suitable firefighting water supply (keep up).</li> <li>• Increase resilience to natural hazards (improve resilience).</li> </ul>	<p>The Plan includes sufficient investment to achieve regulatory compliance by 2026/27, meet LOS and enable growth. Renewals are appropriate with backlog being addressed over time.</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>Historical delivery against planned investment</b>	<p>The MW councils significantly increased programme delivery from 2021/22 onwards, reaching \$417m of actual capex in 2023/24. Actual delivery on average is close to planned since 2018. There is significant increase in capex programme from 2027/28 onwards to &gt;\$600m.</p>	<p>The Plan states that an independent review indicates that while delivery pressures will arise, particularly in 2027/28 and the early 2030s, the investment programme is largely aligned with plausible growth capacity from the available regional contracting market.</p> <p>The Plan notes that delivery capacity will need to be a critical focus for MW, requiring ongoing testing, active planning, and investment decision trade-offs. This will require significant focus and ongoing dialogue with regulators, councils and the community.</p>	<p>Meets requirements</p>	<p>Yes</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>Appendix C6 outlines current charges for the five councils. Methodologies will be developed by MW. The direction set out in this Plan is designed to ensure full cost recovery, consistency with regulatory requirements, and alignment with service levels and community expectations.</p> <ul style="list-style-type: none"> <li>• Drinking water: Transitioning over time to volumetric charging, based on metered consumption, with a mix of fixed and variable components. The shift to volumetric pricing will occur as water meters are rolled out across the region. In areas without meters, an interim fixed charge may apply.</li> <li>• Wastewater: Charged via a fixed charge for most residential customers. For non-residential users, a proxy volumetric approach may be adopted over time, where wastewater discharge is assumed to correlate with metered water use. There are no plans to directly meter wastewater.</li> <li>• Stormwater: Likely to be charged based on property characteristics, such as impervious surface area or connection size. The approach to charging for stormwater is acknowledged to be more complex and will require detailed consideration by MW, working with councils and the community.</li> </ul> <p>Water charges will initially start based on cost-to-serve, reflecting each council’s needs and circumstances. Over time, charges will move to a harmonised standard regional pricing model focused on equity, efficiency, simplicity, and affordability.</p> <p>MW will directly bill customers for water services. During the transition, councils may keep parts of their billing systems to help customers, and legacy rate-based charges phased out over five years. Councils will have a say in how transitional protections or caps are set, especially for vulnerable groups.</p>	<p>The existing revenue methodologies utilised by the five councils are limited but clearly defined. We note WCC water charges are currently based on a capital value basis and will transfer to a volumetric basis when water meters are installed.</p> <p>The proposed increases in charges per residential connection reflect the increases required to fund the investment programme.</p> <p>WCC \$2,000 - \$5,282  HCC \$1,680 - \$5,859  PCC \$1,991 - \$7,005  UHCC \$1,543 - \$5,551</p> <p>We note that the WCC figures do not include IFF levy charges relating to the Moa Point Sludge Minimisation Facility.</p>	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Water services revenue requirements and sources</b>	<p>Main revenue sources are:</p> <ul style="list-style-type: none"> <li>• Household and commercial charges;</li> <li>• Development Contributions;</li> <li>• Fees and user charges;</li> <li>• Operating subsidies and grants;</li> <li>• Other capital revenue such as IFF, Special Purpose Vehicles, and Infrastructure Acceleration Fund grants; and</li> <li>• Other income such as property rentals, interest, and shared asset revenue.</li> </ul> <p>2024/25 and 2025/26 operating revenue primarily consisted of general and targeted rates. From 2026/27 operating revenue is primarily comprised of fees and charges. Other capital revenue is significant in 2024/25 and 2025/26. Sludge debt servicing and IFF levy charges have not been included in the modelling.</p>	<p>The sources of revenue have been clearly identified in by each Council with the breakdown of both operating and total revenue.</p> <p>We note that the total Development Contributions across the 10 years is \$186m representing 17.9% forecast growth.</p>	Meets requirements	N/A
<b>Existing and projected commercial and industrial users' charges</b>	<p>MW will separate residential and commercial users due to different usage patterns. Commercial users usually use more water, have steadier demand, and may need onsite treatment, especially for trade waste. The water organisation can set different charges for activities that cause higher costs, such as high-strength wastewater discharges.</p>	<p>Differences between residential and non-residential properties have been discussed.</p>	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>The affordability of projected water services charges for communities</b>	<p>Metropolitan areas with high infrastructure needs, and more residential water revenue, like Porirua, face greater affordability issues. The impact depends on how quickly pricing moves to regional harmonisation; slower changes could mean bigger short-term effects for high-cost areas. The shift to volumetric charging may change who pays for water, as landlords could pass costs to tenants, potentially creating new challenges for lower-income renters. Appendix C12 show affordability metrics by council:</p> <ul style="list-style-type: none"> <li>Wellington City: increases from 1.4% to 2.7%</li> <li>Hutt City: increases from 1.4% to 3.6%</li> <li>Porirua City: increases from 1.5% to 3.8%</li> <li>Upper Hutt City: 1.4% to 3.4%</li> </ul>	<p>The affordability of projected water services charges as a percentage median household income increases from 1.4% to 3.1% over the 10 years. This is in line with what was proposed by councils during their consultations.</p> <p>We note that for WCC residents the impact of the IFF levy would increase the affordability ratio in 2025/26 from 1.5% to 1.75%, and in 2033/34 from 2.7% to 2.82% assuming the levy rate is unchanged.</p>	Meets requirements	N/A
<b>Funding and financing arrangements</b>				
<b>Water services financing requirements and sources</b>	<p>MW intends to fund its investment programme primarily through external borrowings from the LGFA, with additional capital contributions such as development contributions and grants.</p> <p>MW will create a treasury policy covering maturity ranges, liquidity for refinancing, and use of interest rate hedging tools. Borrowings will be long-term, repaid on principal and interest terms, and aligned to FFO-to-debt targets. Debt maturities will be spread to reduce refinancing risk. Hedging may be used to stabilise borrowing costs, depending on the regulatory model. While LGFA is expected to be the main lender, the policy will allow access to other funding sources if beneficial. Borrowing choices will consider credit ratings, covenants, and accounting impacts, with ongoing engagement with rating agencies, auditors, and lenders.</p> <p>Councils will fund the establishment phase to Day 1, as set out in their 2025/26 annual plans.</p>	Water services financing requirements and sources for MW have been clearly outlined in the Plan.	Meets requirements	N/A
<b>Internal borrowing arrangements</b>	MW will be a standalone entity governed by its own treasury policy. All debt will be externally sourced, primarily from the LGFA.	As MW is a CCO there are no internal borrowing arrangements.	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Determination of debt attributed to water services</b>	<p>Opening balances at 1 July 2022 used water-related debt figures agreed between each council and the Department. Debt movements to 30 June 2024 were based on councils' audited Funding Impact Statements.</p> <p>Where debt transfer reduced a council's debt headroom below fair levels, an equity adjustment was considered and was applied only to WCC. The adjustment will be formalised in shareholder agreements and financial documents when MW is established.</p> <p>LGFA has confirmed there are two practical options to facilitate the transfer of existing council water-related debt to MW. The first approach is the councils retain the water debt, and the CCO will borrow for the new capex. The second approach is the WSSCO borrows the equivalent amount of Day 1 debt and repay the councils for their current debt.</p> <p>The final amount of debt to transfer will be decided on applying agreed principles during implementation, after review of each council's debt and consultation with LGFA and finance teams.</p>	<p>Information is sufficient on the determination of debt attributed to water services. We note the increase in planned net debt goes from \$1,271m in 2023/24 to \$1,812m in 2025/26.</p>	<p>Meets requirements</p>	<p>N/A</p>
<b>Insurance arrangements</b>	<p>All councils insure their three waters infrastructure, both underground and above ground. HCC, PCC, UHCC, and Kāpiti Coast Council share a joint policy, while GWRC and PCC share cover for above ground assets. These joint arrangements will need updating for MW. The most recent assessment reviews were conducted in 2025 for GWRC, 2024 for WCC, and 2019 for HCC, PCC, and UHCC. Modelling is currently in progress for the latter three councils.</p> <p>MW will need a wider range of operational insurances from Day 1, including Business Interruption, Public Liability, Statutory Liability, Employers Liability, Crime, and Cyber insurance. These are not all standard for councils but are necessary for a standalone utility. Procurement should start early to secure cover before go-live, matching MW's risk profile. Based on current risk modelling, there is an estimated insurance gap of approximately \$350m across the constituent councils, or \$400m when deductibles are included. Ongoing risk modelling is expected to result in an increase to this estimate.</p>	<p>There is substantial information in the Plan on the current insurance arrangements across all five councils.</p> <p>We note that WCC is currently required to assess both the insurance gap and associated risks. Based on risk modelling there is approximately a \$350m gap. A greater level of insurance may need to be required to cover this gap.</p> <p>This issue does not impact our ability accept the plan.</p>	<p>Meets requirements</p>	<p>N/A</p>

# 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>	The Plan notes that the information provided will be useful to councils, mana whenua, and MW, to clearly articulate joint arrangements, delivery model, planned investment, revenue, and financing strategies in order to achieve financial sustainability and LOS. It is expected that the direction set out in the Plan will be reflected through the Statement of Expectations and Water Services Strategy.	The Plan explains how the delivery of water services will be financially sustainable by 30 June 2028.  Appendix A2 provides assurance from Simpson Grierson advising that forecasts meet the financial sustainability requirements of the legislation on a balanced view.	Meets requirements	N/A
<b>Actions required to achieve financially sustainable delivery of water services</b>	The Plan states that LGFA has confirmed they will consider a longer seven-year transition, allowing MW to achieve the 8% compliance target by 2032/33.	The revenue and investment requirements noted in the Plan reference the need to gain approval for a seven-year transition period from LGFA.  We recommend the Councils continue to work with LGFA to understand how they might change their pricing or other financial strategies to ensure they obtain future funding.	Meets requirements	N/A
<b>Risks and constraints to achieving financially sustainable delivery of water services</b>	Appendix C9 outlines various risks and mitigations as: <ul style="list-style-type: none"> <li>• Investment delivery risk</li> <li>• Capital cost escalation risk</li> <li>• Revenue sufficiency and affordability risk</li> <li>• Financing and liquidity risk</li> <li>• Economic regulation risk</li> <li>• Growth and demand risk</li> <li>• Asset information and data quality risk</li> <li>• Unanticipated event risk</li> <li>• Revenue shortfall from volumetric charging risk</li> <li>• Insurance cover risk</li> </ul>	Risks and constraints to achieving financially sustainable delivery of water services have been outlined appropriately.  Appendix C11 also provides sensitivity analysis which identifies the impacts of changes in key assumptions, bringing forward FFO compliance and changes in capex delivery by –/+20%.	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>	<p>The financial model shows that MW’s operating revenue pathway is sufficient to cover the full costs of delivering three waters services.</p> <p>Longer-term modelling shows that as capital delivery levels stabilise and revenue streams mature, MW’s operating position will progressively strengthen, supporting long-term financial sustainability.</p> <p>Annual efficiencies are modelled at a 2.25% operating expenditure uplift and a 1.55% capex uplift from 2026/27 with an additional step change in 2028/29 (15% capex benefit) from optimised procurement and improved programme delivery practices. Operating expenditure efficiencies occur after increases of 4% year on year, reflecting increases in overheads from planning, and design engineering associated with delivering increased investment.</p>	<p>Projected water services revenues do not cover the projected costs of delivering water services until 2032/33 as revenue does not cover depreciation. As a result, FFO / debt is less than the LGFA threshold until revenue increases in the later years of the plan.</p> <p>Revenue across the Plan aligns with the combined water revenues in each Council’s 2024-34 LTP.</p>	Meets requirements	N/A
<b>Average projected charges for water services over 2024/25 to 2033/34</b>	<p>Average residential charges are expected to increase from \$2,100 to \$5,700 or \$4,800 (lower end scenario) by 2034, depending on the scenario. Final prices will be set by MW. WCC’s sludge minimisation levy is not included.</p> <p>MW can adjust cost distribution using differentials or commercial rates, easing pressure on households by shifting some costs to businesses. However, higher business charges could affect competitiveness and investment. Detailed charge projections are in Appendix C12.</p> <p>Appendix C11 presents a range of sensitivity analyses, illustrating how the pricing profile may need to adjust under different scenarios.</p>	<p>The average projected charges for water services over the 10 years is expected to increase on average 13% each year.</p> <p>Average residential charge per connection per council (inflated):</p> <ul style="list-style-type: none"> <li>• WCC: Rises from \$2,003 to \$5,282 (11.4% increase)</li> <li>• HCC: Rises from \$1,680 to \$5,859 (14.9% increase)</li> <li>• PCC: Rises from \$1,991 to \$7,005 (15.0% increase)</li> <li>• UHCC: Rises from \$1,643 to \$5,551 (14.5% increase)</li> </ul>	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Projected operating surpluses/(deficits) for water services</b>	The operating balance will average to break even over time but, with a targeted capital structure, will fluctuate with capital expenditure. The Plan provides a chart showing positive surpluses from 2032/33 to 2047/48, followed by negative surpluses from 2048/49 to 2053/54.	The projected operating surplus shows a steady increase over the period, moving from negative 41.9% and becomes positive in 2032/33 as depreciation is fully funded.	Meets requirements	N/A
<b>Projected operating cash surpluses for water services</b>	Over 10 years, the ratio rises from 37.9% in 2024/25 to 69.7% in 2033/34, averaging 57.2%. The increase in the ratio is driven not by rising operating margins, but by a growing share of total costs comprising depreciation and interest, reflecting the significant increase in the capital investment programme.	The projected operating cash surpluses for water services is positive every year of the Plan and increases from \$70.9m to \$485.5m over the 10 years.	Meets requirements	N/A
<b>Assessment of investment sufficiency</b>				
<b>Projected water services investment is sufficient to meet LOS, regulatory requirements and provide for growth</b>	Operating costs, depreciation and interest costs are consistently increasing over the 10-year period. Efficiency improvements (15%) are expected from 2028/29 due to optimised procurement and programme delivery.  The operational budget allows for condition assessments and interventions (reactive & planned maintenance, etc.) to address the issues identified from condition assessment.	The investment profile outlines that MW's capital programme is not limited to asset replacement, but also addresses historic underinvestment, growth demands, and regulatory compliance.	Meets requirements	N/A
<b>Renewals requirements for water services</b>	Renewals investment is below depreciation for the first three years. From 2027/28 onward there is a sustained increase in renewals investment, close to or exceeding projected depreciation for the remainder of the period with an average asset sustainability ratio of 15.2% from 2027/28 to 2033/34.	Renewals are planned appropriately and are aligned with projected depreciation. Over time this is expected to address the renewals backlog within 21 years and improve network performance.	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>	Over 10 years, the average asset investment ratio is 134%, showing capital investment exceeds asset consumption, supporting good asset management and long-term service sustainability.	This investment profile is a significant increase over the LTP budgets and consistent with the investment priorities identified.	Meets requirements	N/A
<b>Average remaining useful life of network assets</b>	The asset consumption ratio for the region's water infrastructure improves steadily across the 10-year forecast period, rising from 46.9% in 2024/25 to 55.4% in 2033/34.	Investment in renewals, LOS and growth over the 10-year period results in an increase in average remaining lives over time.	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>	MW plans to mainly fund its investment through LGFA borrowings, with extra capital from surplus operating cash flows, development contributions, and grants. The financial strategy aims for a 9% FFO to debt ratio by 2033/34, above LGFA's 8% guidance, to provide financial headroom. Projections show borrowings stay sustainable, with enough headroom by 2033/34 to handle unexpected costs or changes in investment timing.	The Plan is outside the five-year transition period indicated in LGFA's guidelines. We understand that LGFA have engaged with MW and have indicated that they will consider a bespoke arrangement that could include a seven-year transition period. The text in the Plan states that debt is within sustainable levels, however, this is hard to quantify as there are no charts or tables in the report to show this.  MW will need to work with LGFA to ensure they obtain a bespoke borrowing agreement.	Meets requirements	N/A
<b>Projected council borrowings against borrowing limits</b>	N/A	MW is a CCO for all three waters therefore we do not assess whole of council borrowings.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Projected water services borrowings against borrowing limits</b>	<p>MW's financial strategy targets a FFO to debt ratio of 9% by 2033/34. This is above LGFA guidance of 8% for water entities with over 50,000 customer connections to allow for financial headroom. MW's financial projections confirm that while a staged glide path will be required to reach the covenant threshold, MW borrowings remain within sustainable levels throughout the Plan period and sufficient borrowing headroom is achieved by 2033/34, providing resilience against unforeseen cost escalations or investment timing shifts.</p> <p>LGFA mandates FFO-to-Interest Coverage Ratio of 1.5x for water CCOs with over 50,000 connections. MW exceeds this threshold across every year with a range from 2.02x in 2024/25 to 2.64x in 2033/34, reflecting a strong and improving ability to service interest obligations from operating cashflow.</p>	<p>The Plan is outside the five-year transition period indicated in LGFA's guidelines. We understand that LGFA have engaged with MW and have indicated that they will consider a bespoke arrangement that could include a seven-year transition period.</p> <p>MW will need to work with LGFA to ensure they obtain a bespoke borrowing agreement.</p>	Meets requirements	N/A
<b>Projected borrowings for water services</b>	The Plan states that total net debt grows from \$1.6b in 2024/25 up to \$5.4b in 2033/34.	The Plan provides the projected borrowings for water services.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<b>Borrowing headroom/(shortfall) for water services</b>	<p>Financial modelling for MW assumes a 9% FFO to debt ratio, which includes 1% headroom allowance in relation to LGFA's lending guidance. The lending headroom is sufficient (at \$670 million in 2033/34) to cover the insurance gap if so required.</p> <p>If an unanticipated event occurs before covenant headroom is fully achieved, several mitigations are available. Capital investment can be reprioritised or deferred, allowing funding to be redirected toward urgent asset repairs. MW could call on the fallback support of shareholder councils via the uncalled capital facility or guarantees. These mitigations ensure that the entity retains flexibility to manage shocks while progressing toward long-run financial sustainability.</p>	<p>The Plan states that debt is within sustainable levels, however this is hard to quantify as there are no headroom charts or tables in the report to show the movements in headroom across time. We note the Plan has cash flow surpluses throughout the 10 years that could potentially be used if needed.</p> <p>We recommend that MW work with LGFA to ensure that coverage of sufficient funding is available for unforeseen costs.</p>	Meets requirements	Yes
<b>Free funds from operations</b>	<p>MW is projected to meet the 8% FFO-to-debt compliance by 2032/33, aiming for a 9% long-term target from 2033/34 for prudent borrowing. The ratio will stay below 8% initially as investments increase and revenue rises gradually. LGFA allows water entities five years to comply, ending 2030/31 for MW, but LGFA has confirmed it will consider to a seven-year transition to 2032/33. Meeting compliance by 2030/31 would require faster price hikes or slower investment. Alternative scenarios are in Appendix C11.</p>	<p>The FFO to debt ratio meets the 8% LGFA threshold in 2032/33. The Plan is outside the five-year transition period indicated in LGFA's guidelines. We understand that LGFA have engaged with MW and have indicated that they will consider a bespoke arrangement that could include a seven-year transition period.</p> <p>MW will need to work with LGFA to ensure they obtain a bespoke borrowing agreement.</p>	Meets requirements	Yes
<b>Assessment of financing sufficiency</b>	<p>Projections show borrowings stay sustainable, with enough headroom by 2033/34 to handle unexpected costs or changes in investment timing.</p>	<p>As noted above, we recommend that MW continue to work with LGFA to ensure they obtain a bespoke borrowing agreement to cover borrowing requirements and allows for sufficient headroom to cover unforeseen costs.</p>	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>	Provided at a combined level and split by three waters.	Meets requirements.	N/A
<b>Projected statement of comprehensive revenue and expense</b>	Provided at a combined level and split by three waters.	Meets requirements.	N/A
<b>Projected statement of cashflows</b>	Provided at a combined level and split by three waters.	Sufficient information has been supplied. We note that the cash balance stays flat across the 10 years.	N/A
<b>Projected statement of financial position</b>	Provided at a combined level and split by three waters.	Sufficient information has been supplied. However, the infrastructure assets in the projected statement of financial position does not match the book value of the infrastructure assets in the asset consumption ratio. Also, borrowings do not match the net debt in the FFO calculation.	N/A

# Assessment Report: Part E – Financial projections and measures

## **Projected statement of comprehensive revenue and expense**

Water Services Delivery Plan Appendix C7

## **Projected statement of financial position**

Water Services Delivery Plan Appendix C7

## **Financial measures: revenue sufficiency**

Water Services Delivery Plan pages 66 to 73

## **Financial measures: investment sufficiency**

Water Services Delivery Plan pages 59 to 63

## **Financial measures: financing sufficiency**

Water Services Delivery Plan pages 64 to 66

# Assessment Report: Water Service Delivery Plan – Additional information

Additional information	Summary of content in Plan	Assessment Review Comment	Focus for Panel
<b>Additional disclosures to support Plan</b>	Appendix A1: Summary of consultation feedback..... 5 Appendix A2: Assurance process..... 16 Appendix A3: Council resolutions to adopt this WSDP ..... 20 Appendix B1: Levels of service and performance..... 24 Appendix B2: Council specific asset base and condition ..... 40 Appendix B3: Environmental compliance summary..... 54 Appendix B4: Compliance status of the water and wastewater treatment plants ..... 62 Appendix C1: Assumptions and uncertainties: Part C investment programme..... 72 Appendix C2: Historical capital delivery..... 78 Appendix C3: Financing and debt arrangements ..... 79 Appendix C4: Addressing known risks..... 83 Appendix C5: Risk management and insurance arrangements..... 91 Appendix C6: Charging and billing arrangements ..... 97 Appendix C7: Financial statements .....102 Appendix C8: Approach to financial modelling and assumptions .....111 Appendix C9: Financial sustainability risks and mitigations .....114 Appendix C10: Development contributions .....116 Appendix C11: Sensitivity scenarios .....119 Appendix C12: Projected charges for residential households.....127 Appendix C13: Council specific investment outcomes .....131 Appendix C14: Advice on the application of consequential opex to operations and maintenance budgets .....141 Appendix E1: Day zero and day one target end states and outcome statements .....144 Appendix E2: Metro Water establishment roadmap .....148	Meets requirements.	N/A
<b>Significant capital projects</b>	Appendix C13 provides an overview of significant capital investment and anticipated outcomes specific to each council.	Meets requirements.	N/A
<b>Key issues, constraints, risks and assumptions</b>	Shown in Appendix C4	Meets requirements.	N/A