

Water Services Delivery Plan Assessment

Assessment Report – Nelson City 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
Capital expenditure	Capex
Department of Internal Affairs	Department
Drinking Water Quality Assurance Rules	DWQAR
Funds From Operations	FFO
In-house business unit	IBU
Local Government Funding Agency	LGFA
Local Government (Water Services Preliminary Arrangements) Act 2024	Preliminary Arrangements Act
Long Term Plan	LTP
Nelson City Council	NCC
Nelson Regional Sewerage Business Unit	NRSBU
Resource Management Act 1981	RMA
TDC	Tasman District Council
Water Services Delivery Plan	Plan
Wastewater treatment plant	WWTP

Assessment Cover Sheet

Background on council and engagement with the Department

Detail	Commentary
Councils involved in plan	Nelson City Council
Number of connections	Drinking water: 21,952 Wastewater: 24,117 Stormwater: 16,140
DIA comment on council engagement during Plan development process	<ul style="list-style-type: none"> Proactive engagement with the Department has been limited. However, NCC has progressed their Plan quickly relative to other councils. In October 2024, NCC confirmed that continuing to deliver water in-house was their preferred option. NCC consulted their communities from January to February 2025, with a preferred model of an IBU. On 3 April 2025, NCC resolved to retain its existing approach for water services with an IBU, following submissions received during community consultation. The final Plan was submitted on 28 August 2025.
Feedback provided to council prior to submission on Draft Plan	<ul style="list-style-type: none"> NCC provided the Department with a draft Plan for review on 27 June 2025. The Department responded on 11 July 2025 with feedback stating that from the assessment of the draft, it appeared to include the content required but identified some areas where further detail and clarification were needed to provide a complete view of financial sustainability.
Engagement with council during review and assessment process	The Department requested clarifications during the assessment process, and the Department is satisfied with the Council's responses.
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 closely mirrors the 2024-34 LTP, with minimal updates from a financial standpoint. The Plan is assessed as meeting the legislative requirements set out in section 13 of the Preliminary Arrangements Act.
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 LOS, regulatory requirements and provides for growth. Sufficient details are provided on the actions required to achieve financially sustainable delivery of water services, and risks and constraints have been outlined in the Plan.
Revenue Sufficiency	The average projected charges increase from \$1,328 to \$2,112 over 10 years, an increase of 59%. Water charges as a percentage of household income increases from 1.5% to 1.9% in 2033/34. Projected water services revenues cover the projected costs of delivering water services with projected operating cash surpluses increasing steadily in line with the operating surpluses from \$21.6m to \$45.9m over the 10 years. Projected operating surpluses improve from losses of \$6.6m in early years to a surplus of \$1.3m in year 9 aligning with NCC’s decision to phase in the funding of depreciation over 10 years.
Investment Sufficiency	The Plan demonstrates that Council’s proposed water services investment is sufficient to meet the LOS, regulatory requirements and provide for growth. NCC are investing \$482.7m over 10 years, which is 171% of depreciation. The level of renewals expenditure is deemed to be appropriate as it considers the age and condition profile of the assets. The total investment is well above the level of depreciation and the investment in renewals, LOS and growth over the 10-year period results in a slight decline in average remaining asset lives over time.
Financing Sufficiency	The Plan confirms sufficient funding and financing can be secured to deliver water services. Water services borrowings are projected to be \$240.1m - by 2033/34 and the net debt to operating revenue peaks at the limit of 300% by 2033/34. The steady increase from 237% in 2024/25, suggests the debt limit may be breached beyond the review period, but the Department expects funding requirements may be revisited in the 2027 LTP. Projected total council borrowings are within council borrowing limit of 280% net debt to revenue. Due to the methodology used to set the 300% limit, the available headroom reduces from \$28.3m to zero by 2033/34, however the Council continues to have significant headroom. As NCC is an IBU the FFO metric is not accessed, but the projected FFO is well over the 9% threshold going from 16.1% down to 13.9% over the 10 years and would support a standalone water services organisation.

Overall assessment recommendation	The overall recommendation from the assessment phase is to accept the Plan from NCC.
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Issues for discussion with Panel

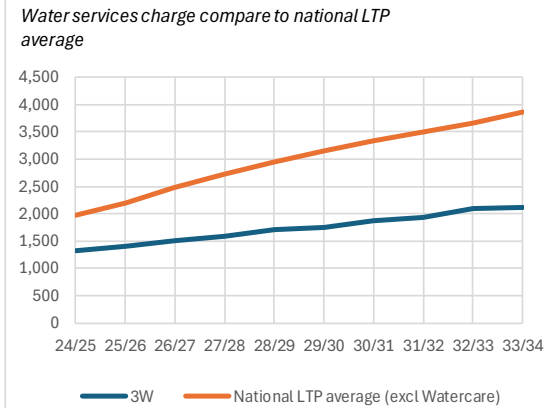
Issue	Description	Recommended treatment
Delivery of the capital programme	<p>Planned capex levels are above previous years that have been delivered.</p> <p>The Plan provides high level commentary on the feasibility of delivering an increasing capex programme. There is a moderate increase in capex until year 8, providing time to resource the increased delivery.</p>	We recommend the delivery of the capital programme is monitored during implementation.

Council summary information

Summary information	Level
Current population	56,469
Drinking water connections	21,952
Wastewater connections	24,117
Stormwater connections	16,140
High growth council	No
10 year population growth	7.7%



Affordability and growth



Item	Year 1	Year 10	10 Year Average
Total charge as % of median income	1.50%	1.90%	1.75%
Annual price increase	10.00%	1.10%	5.79%
DC collected per new connection (\$)	N/A	N/A	22,760

Item	Year 1	Year 10	10 Year Average
Water related net debt to operating revenue %	237%	300%	263%
FFO to debt	16.1%	13.9%	15.7%
Whole of Council net debt to revenue (approx)	125%	182%	162%

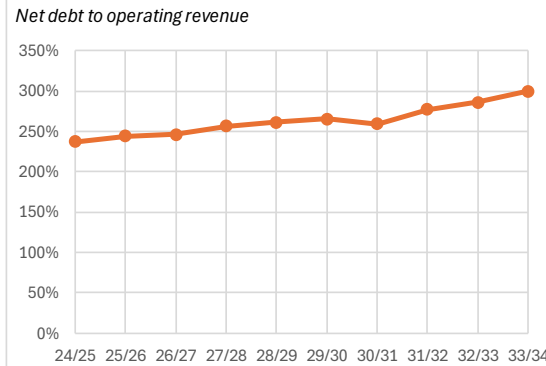
Assets, network and compliance

Asset measures	Year 1	Year 10	10 Year Average
Total assets per connection (\$)	40,767	51,111	45,647
Total debt per connection (\$)	4,365	8,857	6,413
Operating costs per connection (\$)	944	1,253	1,104
Age of network (years)	DW	WW	SW
Average age outlined in plan	38	32	36

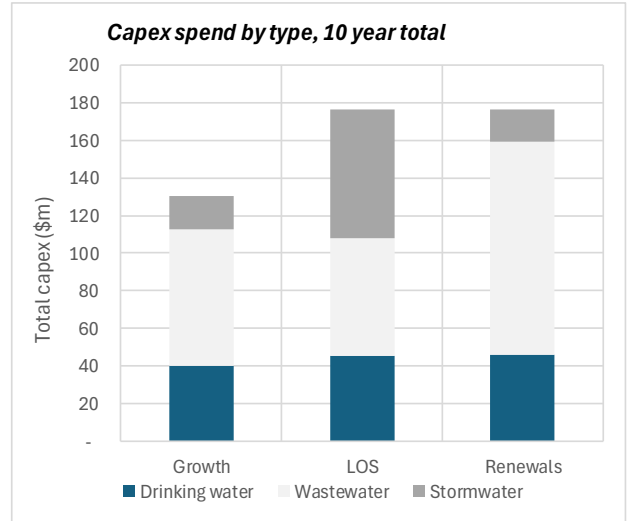
Network performance	Level
Level of service performance measures achieved	100%
Water loss rate	22%
Average consumption (litres per person per day)	275

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

Financing



Capital expenditure	Category of capital expenditure			Total over 10 years
	Growth	Level of service	Renewals	
Drinking water	39,920	45,092	46,088	131,100
Wastewater	72,938	62,740	113,339	249,017
Stormwater	17,242	68,380	16,932	102,554
Total 10 years	130,100	176,212	176,359	482,671



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 Council’s assessment is that financial sustainability of water services is already achieved.	The Plan explains how the delivery of water services will be financially sustainable and that revenue is sufficient to cover the long-term investment that meets LOS, regulatory requirements and provides for growth.	Meets requirements	N/A
The proposed model to deliver water services	<p>NCC has confirmed that the Council will retain its IBU for delivering water services to the city. The service delivery method is a mix of in-house staff, consultants, contractors and a joint committee of Nelson City Council and Tasman District Council (TDC) – the committee provides Governance oversight of the operation of the Nelson Regional Sewerage Business Unit (NRSBU).</p> <p>The NRSBU is constituted as a Joint Committee of the NCC and the TDC pursuant to the provisions of the 7th Schedule to the Local Government Act 2002. The purpose of the NRSBU is to manage and operate the wastewater treatment facilities at Bells Island and the associated network of pumpstations and rising mains.</p>	<p>The Plan’s description of the proposed IBU model is clear with implementation occurring from 1 July 2025.</p> <p>The organisation structure is unchanged.</p>	Meets requirements	N/A

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Implementing the proposed service delivery model	<p>NCC will retain its current water services delivery model. Water services are delivered primarily by internal staff supported by external consultants and contractors. A small amount of water is purchased from TDC for NCC to supply to residential properties and TDC directly supply water services to a small industrial estate under an engineering services agreement.</p> <p>The Council confirms that the water services delivery model is currently in place and operative. For the purposes of this Plan the Establishment Date is 1 July 2025.</p> <p>The Joint Committee to support the NRSBU will remain in place.</p> <p>All staff and contracts with external consultants and contractors are in place.</p>	The Plan outlines an implementation plan as required by section 13(2) of the Preliminary Arrangements Act, but limited information is provided.	Meets requirements	N/A
Consultation and engagement undertaken	<p>NCC undertook consultation prior to resolving to continue with an IBU model. The following summarises the timeframes for the various stages:</p> <ul style="list-style-type: none"> • 5 December 2024 Council meeting to adopt statement of proposal. • 10 January 2025 - 24 February 2025 Community consultation on proposed water service delivery options. Summary document provided. See Appendix A of the Plan for the complete Statement of Proposal. • 12 - 13 March 2025 Hearing submissions – meeting cancelled as no submitters wished to speak to their submissions. • 3 April 2025 Deliberations and decision. Appendix A of the Plan includes the consultation statement of proposal. 	Consultation was in accordance with the requirements of Part 3 of the Preliminary Arrangements Act.	Meets requirements	N/A
Assurance and adoption of the plan				
Council resolution to adopt the Plan	The Plan was formally adopted by Council on 7 August 2025.	N/A.	Meets requirements	N/A

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Certification of the Chief Executive of Nelson City Council	The CE certified the Plan on 26 August 2025.	N/A.	Meets requirements	N/A

Assessment Report: Part B – Network Performance

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Investment required in water services				
Serviced population and serviced areas	<p>NCC is responsible for:</p> <ul style="list-style-type: none"> • One water supply, with 20,145 residential and 1,807 non-residential connections. • Two wastewater schemes, with 22,032 residential and 2,085 non-residential connections. • 16 stormwater river and stream catchments with 14,683 residential and 1,457 non-residential properties served. <p>Of the 14 performance measures, 14 were met in 2022/23.</p> <p>Non-residential and unserviced populations identified.</p> <p>NCC expects growth of approximately 7% in serviced population over the next 10 years.</p>	<p>Comprehensive information supplied on serviced areas, connections and growth.</p> <p>100% of water service performance measures were met in 2022/23.</p> <p>The percentage of real water loss is reported at 22.1% which is below their target of 25%. The average water consumption is 178l/p/day for residential, which is below their target.</p>	Meets requirements	N/A

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>Information is provided on condition and age by water service.</p> <p>No backlog for water renewals is provided.</p> <p>Asset condition information:</p> <ul style="list-style-type: none"> • DW 98% of underground, 80% for above ground, 10-36% (underground) in poor or very poor condition. • WW 98% of underground, 80% of pumpstations and WWTPs, 5%-34% in poor or very poor condition. • SW 99% of underground, 90% of pumpstations, 5-10% in poor or very poor condition. 	<p>Condition and criticality information is used to plan renewals programme.</p> <p>Existing condition information is suitable to plan maintenance, renewals and capital plans.</p> <p>Critical assets are identified.</p>	<p>Meets requirements</p>	<p>N/A</p>
Asset management approach	<p>Existing and proposed delivery mechanisms outlined and include a mix of in-house teams and contractor/consultant delivery.</p> <p>NCC follows the IIMM framework.</p> <p>There is an Activity Management Policy.</p> <p>No Asset Management Information systems are identified.</p> <p>Asset Management Maturity Assessment results provided.</p> <p>Limited changes are planned to this approach.</p>	<p>There is limited change in Asset Management approach or delivery mechanisms planned.</p> <p>Information is provided on process, but there is limited commentary on how asset management will support the proposed model. This does not impact the Secretary's ability to accept 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
<p>Statement of regulatory compliance</p>	<p>NCC is fully compliant with DWQAR.</p> <p>Residential water usage: 178l/p/d</p> <p>Res/commercial usage: 275l/p/d.</p> <p>The drinking water supply is fluoridated.</p> <p>One boil water notice that has been lifted.</p> <p>Consents</p> <p>Seven DW consents. Zero are operating under s124 RMA, none are due to expire, and there are no active applications.</p> <p>41 WW discharge consents, seven are operating under s124 RMA, two are due to expire, and there are seven current applications (on hold).</p> <p>11 SW discharge consents. Zero are operating under s124, one is due to expire, and there are no active applications.</p> <p>There are no abatement or infringement notices.</p>	<p>NCC meets drinking water compliance on all schemes.</p> <p>The Council is meeting all consenting compliance requirements.</p>	<p>Meets requirements</p>	<p>N/A</p>
<p>Capital expenditure required to deliver water services and ensure that water services comply with regulatory requirements</p>	<p>NCC's planned investment during the period is shown in the additional information section and Appendix C of the Plan. Planned investment addresses aging pipes, meeting LOS, and growth consideration, to continue to meet compliance.</p> <p>NCC has stormwater LOS investment of \$2m out of \$68m planned for freshwater quality improvements. The remaining \$66m will be directed to upgrading of existing networks to address issues that have been identified from storm events, flood modelling and the development of stormwater strategies.</p> <p>\$154m of investment is planned for upgrading the Nelson WWTP.</p> <p>Total expenditure fluctuates over the period of the Plan \$29m to \$66.5m per year. Total capital expenditure for the 10 years is \$482.67m.</p> <p>Significant projects for each water service are listed.</p>	<p>The Plan includes sufficient investment to achieve compliance, LOS and enable growth.</p> <p>Renewals are lower than forecast depreciation but are appropriate given the age and performance profile of the asset portfolio.</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>Historical delivery against planned investment</p>	<p>In 2024/25 NCC delivered total investment in water of \$26.9m against a budget of \$28.9m, being 93%.</p> <p>Renewal delivery for the same period was \$8.8m against a plan of \$9.0m, being 98%.</p> <p>The Plan states that the NCC LTP 2024-34 has a significant increase in proposed capital expenditure over the term of the Plan. The major drivers of this are:</p> <ul style="list-style-type: none"> • An emphasis on increasing expenditure on renewals to smooth out the projected 'bow wave' of assets nearing the end of their service lives. • Expected increases in the cost of construction materials and contractor staff resources. • Several larger construction projects that will likely attract contractors from outside the region or involve expensive components but for which capacity exists locally. <p>The Council is aware of the likely demand for construction resources and will be developing work programmes that – as far as possible, bring together multiple utility projects in the same street at the same time.</p>	<p>Planned capex levels are above previous years that have been delivered.</p> <p>The Plan provides high level commentary on the feasibility of delivering an increasing capex programme. There is a moderate increase in capex until year 8, providing time to resource the increased delivery.</p> <p>We recommend that the delivery of the capital programme is monitored during implementation.</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
Revenue and charging arrangements				
Charging and billing arrangements	<p>The Plan describes NCC’s approach to charging for water services.</p> <p>NCC runs a single, metered city water supply. Costs are covered by targeted rates and water by meter charges. A minimum charge covers 30% of costs, 70% is recovered through usage charges.</p> <p>Wastewater is primarily funded by targeted rates for properties with wastewater services and volume-based trade waste charges for businesses.</p> <p>NCC funds the city stormwater network through a uniform targeted rate per rating unit (excluding rural zones).</p>	The Plan provides sufficient coverage of the current charging methodologies.	Meets requirements	N/A
Water services revenue requirements and sources	<p>The revenue requirements to deliver water services under the Plan will remain largely unchanged from the current NCC requirements.</p> <p>Sources of revenue include general rates, targeted rates, development contributions, charges and fees including trade waste and NRSBU investment return.</p> <p>NRSBU Investment income starts at \$1.9m and rises steadily to \$2.4m in year 2033/34.</p> <p>Future plans include charging for Water Services Authority – Taumata Arowai and Commerce Commission levies. Aside from the small changes detailed above, current revenue requirements and charging methods will largely remain the same.</p>	<p>The Plan provides sufficient coverage and detail to ensure clarity on the composition of revenue.</p> <p>We note that the revenue information for wastewater differs from the revenue information provided in the projected financial statements for water services. The \$37m variance for wastewater expenses is due to income from NRSBU.</p>	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Existing and projected commercial and industrial users' charges	<p>Non-residential properties connected to the water network are charged common annual supply charges and volumetric charges. Volumetric bands apply with water charges/m³ reducing with increasing volume used.</p> <p>Bulk users (over 10,000m³/year, primarily for summer irrigation) pay lower rates in two bands, reflecting their limited use of the network outside peak times.</p> <p>All properties connected to the wastewater network are charged a wastewater rate. Non-residential activities pay trade waste charges under one of three different methods. Revenue from trade waste charges is expected to be \$3.6m in 2024/25.</p> <p>Most properties pay a stormwater rate, except rural properties, Saxton Island and Council's stormwater network.</p>	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 as a percentage of household income increases from 1.5% in 2024/25 to 1.9% in 2033/34. While water charges are projected to rise, the Plan assumes incomes will grow at a similar rate.	The affordability of future water services is within the guidance provided by the Department of 2.5% of median household income.	Meets requirements	N/A
Funding and financing arrangements				
Water services financing requirements and sources	<p>NCC have provided financing requirements and sources based on their 2024-34 LTP.</p> <p>NCC plans to invest \$483m in water services over the 2024–34 LTP period. This will require \$143m in new debt, raising borrowing from \$98m in 2023/24 to \$240m in 2033/34.</p> <p>NCC's net debt to revenue will not exceed the 280% LGFA limit. For water services, a 300% ratio is used until a specific limit is set.</p>	Water services financing requirements and sources are outlined clearly and are based on their LTP.	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Internal borrowing arrangements	<p>The Council manages all external borrowing in its corporate activity, determining debt needs across all activities. Monthly journals adjust internal loans for water services as needed. After updating loan balances, finance charges are applied based on current balances and use the Council's external interest rate.</p> <p>Internal borrowing arrangements will continue beyond 30 June 2028. The current process will remain, ensuring water service transactions stay within their activities and funding needs are met through internal loans.</p>	Current internal borrowing arrangements are outlined and ring-fenced through the monthly journal processes, which will remain in place going forward.	Meets requirements	N/A
Determination of debt attributed to water services	<p>All revenue, expenditure, investment and internal borrowings are ringfenced in their separate water activity so that the internal borrowing requirement is a balancing figure for the activity each year.</p> <p>The total value of water service borrowings on the 30 June 2024 was \$97.6m</p>	The Plan describes the determination of debt attributed to water services.	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Insurance arrangements	<p>The Plan states that NCC and NRSBU have the required insurance cover, with annual declarations and catastrophe modelling every 5–7 years. Policy limits were reviewed in 2024. The \$500m below ground policy (shared with seven councils) mainly covers water assets, with a \$400m sublimit for Nelson.</p> <p>Network assets (below ground) are insured for major natural disasters, with notable shared sub-limits: \$10m for additional increased cost of working and \$21.6m for enablement. Valuation is based on optimised replacement cost at policy start plus 3.5 years inflation.</p> <p>The \$800m above ground policy (20% of insured value) is shared with two other councils and covers various asset types, water assets make up about 30%.</p> <p>Point assets (above ground) are fully insured except for some pump stations, with key sub-limits: \$100m for fire, \$20m for additional increased cost of working (shared) and \$5m for landslip (shared). Their valuation uses replacement cost plus two years inflation. No demolition costs are included, but shared business interruption cover is in place.</p>	<p>Sufficient detail is provided on NCC's insurance arrangements.</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
Financially sustainable water services provision				
Confirmation of financially sustainable delivery of water services by 30 June 2028	The Plan states that financially sustainable delivery of water services has already been achieved.	The Plan explains how the delivery of water services will be financially sustainable and that revenue is sufficient to cover the long-term investment that meets LOS, regulatory requirements and provides for growth.	Meets requirements	N/A
Actions required to achieve financially sustainable delivery of water services	<p>The Plan details actions to maintain and improve financial sustainability.</p> <p>NCC is planning through the LTP 2024/34, to invest \$483m, with investment rising over the ten years from \$29m in 2024/25 to \$62m in 2033/34. To deliver this level of investment, the Council projects a borrowing requirement of \$143m new net debt in the water services activities which would increase the borrowing level from \$98m in 2023/24 to \$240m by 2033/34.</p> <p>NCC plans to raise sufficient revenue year on year to cover all operating costs which includes finance costs and depreciation. The Council chose to phase in the depreciation funding over the 10 years of the LTP and plans to fully fund depreciation by 2033/34. The annual rates revenue rises cap will remain at Local Government Cost Index (LGCI) plus 2.5% and an allowance for growth. This limit is at a whole of council level and all planned operational expenditure in water services activities is factored in.</p>	Sufficient details are provided on the actions required to achieve financially sustainable delivery of water services.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Risks and constraints to achieving financially sustainable delivery of water services	<p>The Plan recognises the following risks and constraints:</p> <ul style="list-style-type: none"> Increasing construction costs and future annual revaluations of our water services assets that act to produce increases in value that are considerably higher than the Local Government Cost Index. Extreme weather events and natural hazards such as earthquakes can significantly impact day to day work programmes and require large capital inputs with urgency. Adoption of new materials and technology into the network will need to be managed to ensure that acceptable service levels will be met and any unanticipated issues with technology will not result in unsustainable costs. 	Sufficient details on risks and constraints have been outlined in the Plan.	Meets requirements	N/A
Assessment of revenue sufficiency				
Projected water services revenues cover the projected costs of delivering water services	<p>The Plan confirms that projected revenues meet the revenue sufficiency test, and that projected revenues are sufficient to finance the required level of investment.</p> <p>The Plan refers to the LTP to confirm that revenues are sufficient to cover the costs of water services delivery including debt servicing.</p>	Projected water services revenues cover the projected costs of delivering water services.	Meets requirements	N/A
Average projected charges for water services over 2024/25 to 2033/34	<p>The average projected charges increase from \$1,328 to \$2,112 with an increase in the first year of 10%. Increases vary for the remaining years between 1.1% and 8%.</p>	Projected price increases are reasonable and lower than the national average with an increase of 59% over 10 years.	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>The Plan forecasts operating deficits for 9 of the 10 years. The trend shows the operating surplus ratio improving over the Plan with a peak of 1.9% in 2032/33. Operating deficits are negative 15.4% in 2024/25 increasing to an operating surplus of 1.9% in 2032/33 then decreasing to a deficit of negative 0.2% in 2033/34.</p> <p>The operating deficits are a result of not fully funding depreciation until after 2033/34 to reduce the impact of price increases on customers.</p> <p>Operating surpluses will be used to firstly repay the debt incurred for prior year operating deficits.</p>	<p>Projected operating surpluses improve from losses of \$6.6m in early years to a surplus of \$1.3m in year nine. This aligns with NCC's decision to phase in the funding of depreciation over 10 years.</p>	Meets requirements	N/A
Projected operating cash surpluses for water services	<p>The Council plans to generate sufficient operating cashflows to pay interest, fund planned investment in renewals and repay debt as it comes due.</p> <p>The Plan shows NCC will be in cash surplus for the entire period of the Plan. The operating cash ratio increases steadily over the ten-year period of the Plan from 48.6% to 57.3%.</p>	<p>Projected operating cash surpluses increase steadily in line with the operating surpluses from \$21.6m to \$45.9m over the 10 years.</p>	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>The Plan states the proposed level of investment is sufficient to meet LOS, regulatory requirements and provide for growth.</p> <p>Proposed level of investment is fully funded by projected revenues and access to financing and projected levels of investment have been assessed as meeting the 'investment sufficiency' test.</p>	<p>The Plan describes sufficient investment to meet requirements of LOS, renewals and enable growth.</p> <p>Investment is \$482.7m over 10 years, being 171% of 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>Total renewal capex is \$176.4, being 36.5% of total capex and 62.4% of forecast depreciation.</p> <p>The Plan describes how renewals investment in water services has been determined in the infrastructure strategy and Council activity management plans which Council staff populate as part of managing the life of the asset.</p> <p>The Plan shows projected levels of renewals investment are lower than depreciation in the ten years of the Plan. This is because assets often have useful lives of 80 years or more, meaning that while depreciation is occurring on an annual basis, renewals only come due at the end of the useful life subject to condition assessment.</p> <p>The Council has started preliminary work on the activity management plans for the 2027-37 10-year plan and one of the goals at this point is to prioritise the spend on renewals as a minimum of 75% of the capital programme.</p>	The level of renewals expenditure is sufficient considering the age and condition profile of the assets.	Meets requirements	N/A
Total water services investment required over 10 years	The Plan shows a positive investment ratio in all years of the Plan, increasing from 22.5% to 84.9%. Total investment is well above depreciation in all years.	The total investment is well above the level of depreciation	Meets requirements	N/A
Average remaining useful life of network assets	The Plan shows a decreasing ratio over the period of the Plan from 56.6% to 54.0%.	Investment in renewals, LOS and growth over the 10-year period result in a slight decline in average remaining 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	The Plan states that the required levels of borrowings can be sourced, and that the Plan meets the 'financing sufficiency' test.	The Plan confirms that sufficient funding and financing can be secured to deliver water services.	Meets requirements	N/A
Projected council borrowings against borrowing limits	The Plan shows projected total council borrowings are within council borrowing limits. The projected Council net debt to operating revenue is consistently below the borrowing limit for the council of 280%. It increases from 130% to 180% between 2026/27 and 2028/29. Then it ranges between 182% and 185% for the remainder of the period.	Projected total council borrowings are within the council borrowing limit of 280% net debt to revenue.	Meets requirements	N/A
Projected water services borrowings against borrowing limits	The Plan shows projected water services borrowings are within the council-determined limit of 300% for water services borrowing. The projected water services net debt to operating revenue increases from 237% in 2024/25 to 300% by 2033/34.	Projected water services borrowings are within the 300% borrowing limit, until 2033/34 when they reach this limit.	Meets requirements	N/A
Projected borrowings for water services	Net debt increases from \$105.3m to \$240.1m and operating revenue increases from \$44.5m to \$80.0m.	Water services borrowings are projected to be \$240.1m over 10 years and the net debt to operating revenue peaks at the limit of 300% by 2033/34. The steady increase from 237% in 2024/25, suggests the debt limit will be breached beyond the review period and revised in the 2027 LTP.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Borrowing headroom/(shortfall) for water services	Overall NCC debt remains well below the 280% limit. Water services' borrowing headroom drops from \$28m in 2024/25 to zero by 2033/34, but overall Council headroom is projected at \$270m in 2033/34, allowing flexibility if water services need more. The Council will review a specific debt to revenue ratio for water services when preparing the LTP 2027-37.	Due to the methodology used to set the 300% limit, the available headroom reduces from \$28.3m to zero by 2033/34. We note NCC continues to have significant headroom at the whole of council level.	Meets requirements	N/A
Free funds from operations	The Plan shows the FFO percentage is well above the 9% threshold, for the entire period, that LGFA would require from an entity with 20,000 connections.	As this is a water services IBU the FFO metric is not assessed. We note that the projected FFO is well over the 9% threshold, going from 16.1% down to 13.9% over the 10 years, and would support a standalone water organisation.	N/A	N/A
Assessment of financing sufficiency	Sufficient funding and financing can be secured to deliver water services.	The Plan confirms sufficient funding and financing can be secured to deliver water services.	Meets requirements	N/A

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

Section in Part E	Summary of content in Plan	Assessment Review Comment	Focus for panel
Projected funding impact statement	Statements provided for all three waters.	There is a funding impact statement for drinking water, wastewater, stormwater, and combined water services.	N/A
Projected statement of comprehensive revenue and expense	Statements provided for all three waters.	There is a statement of comprehensive revenue and expense for drinking water, wastewater, stormwater and combined water services.	N/A
Projected statement of cashflows	Statements provided for all three waters.	There is a projected statement of cashflows balances for drinking water, wastewater, stormwater and combined water services.	N/A
Projected statement of financial position	Statements provided for all three waters.	There is a balance sheet for drinking water, wastewater, stormwater and combined water services.	N/A

Assessment Report: Part E – Financial projections and measures

Projected statement of comprehensive revenue and expense

Water Services Delivery Plan pages 119 - 120

Projected statement of financial position

Water Services Delivery Plan pages 123 - 124

Financial measures: revenue sufficiency

Water Services Delivery Plan pages 106 - 108

Financial measures: investment sufficiency

Water Services Delivery Plan pages 109 - 111

Financial measures: financing sufficiency

Water Services Delivery Plan pages 112 – 114

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	Appendix A: Statement of Proposal Water Services Delivery Options for Nelson City Appendix B: Nelson City Council Activity Management Policy 2025 Appendix C: Long Term Plan 2024 – 2034 Budget Table (Inflated) Appendix D: Long Term Plan 2024 – 2034 Significant Forecasting Assumptions Appendix D: Long Term Plan 2024 – 2034 Water, Wastewater and Stormwater specific Challenges, Assumptions and Risks	N/A	N/A
Significant capital projects	The Plan provides the projected expenditure on significant capital projects.	The information is clearly documented and laid out to support the overall assessment of the Plan.	N/A
Key issues, constraints, risks and assumptions	The Plan details the risks and material assumptions for water services delivery.	The information is clearly documented and laid out to support the overall assessment of the Plan.	N/A